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Report to the Special Committee of the Board of Directors of the
Connecticut Municipal Electric Energy Cooperative

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TABLE OF CONTENTS

I.	Introduction	1
II.	Outline of Investigation Process.....	2
III.	Background	3
A.	CMEEC's Structure.....	3
B.	CMEEC's Contracts with Mr. Rankin and Mr. Pryor and CMEEC's General Employment Provisions.....	8
1.	Mr. Rankin	8
2.	Mr. Pryor	10
3.	CMEEC By-Laws, Purchasing Card Procedures and Other Employment Policies	11
a.	P-Card Policies and Procedures	11
b.	Personnel Policy Handbook	15
IV.	Factual Findings.....	19
A.	Kentucky Derby Trips – Overview	19
1.	2013 Kentucky Derby Trip	20
2.	2014 Kentucky Derby Trip	22
3.	2015 Kentucky Derby Trip	23
4.	2016 Kentucky Derby Trip	25
5.	2017 – Cancelled Kentucky Derby Trip.....	26
6.	Kentucky Derby Cost Summary.....	27
B.	The Greenbrier Trips	28
1.	August 2015 The Greenbrier Trip.....	28
2.	October 2015 The Greenbrier Trip	31

C.	CMEEC Sponsored Golf Outings.....	35
1.	2013 Golf Outing	35
2.	2014 Golf Outing	36
3.	2015 Golf Outings	37
a.	June 17, 2015 Golf Outing.....	37
b.	July 25, 2015 Golf Outing.....	38
c.	August 27, 2015 Golf Outing.....	39
d.	Summary 2015 Golf Outings.....	40
4.	2016 Golf Outing	41
D.	Overall spending authorized by Mr. Rankin and/or Pryor on Kentucky Derby, The Greenbrier, Golf Outings and other non-operational Expenses.....	42
E.	Payments for and/or reimbursements to James Sullivan for certain travel and accompanying expenses	45
F.	Impact to CMEEC of the activities outlined in the indictment, this investigation and the oral and/or written statements made by Mr. Rankin to the media and/or public officials regarding the Kentucky Derby trips, Greenbrier trips and/or legislative changes to the statute creating CMEEC...	47
V.	Analysis.....	50
A.	Overview	50
B.	Analysis – Kentucky Derby Trips	54
C.	Analysis – The Greenbrier Trip - August 2015.....	54
D.	Analysis – The Greenbrier trip – October 2015	55
E.	Analysis – Golf Outings	55
F.	Analysis – Overall spending authorized by Mr. Rankin and/or Pryor on Kentucky Derby, The Greenbrier, Golf Outings and other non-operational expenses.....	56
G.	Analysis - Payments for and/or reimbursements to James Sullivan for travel and accompanying expenses between 2011-2015.....	56
H.	Analysis - Impact to CMEEC of the activities outlined in the indictment, this investigation and the oral and/or written statements made by Mr. Rankin to the media and/or public officials regarding the Kentucky Derby trips, Greenbrier trips and/or legislative changes to the statute creating CMEEC...	57

VI. Conclusions	58
Appendix A Exhibit List.....	App. 1-4
Appendix B Exhibits.....	Ex. I-1 through IV -85

I. Introduction

On November 8, 2018, two (2) employees of the Connecticut Municipal Electric Energy Cooperative ("CMEEC")¹ – Chief Executive Officer Drew Rankin and Chief Financial Officer Edward Pryor – along with three (3) individuals associated with CMEEC as then-current or former members of the Board of Directors ("BOD") – Edward DeMuzzio, John Bilda and James Sullivan – were indicted on various federal criminal charges related to their work for and/or service to CMEEC. **Exhibit I-1.** On November 9, 2018, the CMEEC BOD issued an Emergency Meeting Resolution 18-11-06, authorizing its General Counsel Robin Kipnis "to take the actions necessary to conduct an internal investigation ... of the activities identified in the two (2) federal indictments." **Exhibit I-2.** Attorney Kipnis then requested the assistance of our firm in determining whether the two (2) CMEEC employees identified in the indictment – Mr. Rankin and/or Mr. Pryor - had engaged in conduct, referenced in or related to that alleged in the indictments, which violates the terms of their employment agreements. CMEEC then created a Special Committee of the BOD to provide general oversight to this investigation, to review the investigation report, and to make findings and recommendations to the full BOD. **Exhibit I-3.**

This investigation addresses issues or incidents raised in and/or related to the indictment and involving **Mr. Rankin and/or Mr. Pryor**, namely the following:

- (1) May 2013, 2014, 2015 and/or 2016 trips to the Kentucky Derby², the planned 2017 trip to the Kentucky Derby, and/or purchases related to the same;
- (2) August 2015 trip to The Greenbrier Resort and/or purchases related to the same;
- (3) October 2015 trip to The Greenbrier Resort and/or purchases related to the same;
- (4) Golf events sponsored and run by CMEEC in 2013, 2014, 2015 and 2016;
- (5) Overall spending by CMEEC on (1) – (4), plus other meal, travel, gift and/or entertainment expenses from 2013-2016;
- (6) Payments for and/or reimbursements to James Sullivan for certain travel and accompanying expenses; and
- (7) Impact to CMEEC of indictment, investigation and oral and/or written statements made by Mr. Rankin to the media and/or public officials regarding the Kentucky Derby trips, Greenbrier trips and/or legislative changes to the statute creating CMEEC.

¹ As background, The Connecticut Transmission Municipal Electric Energy Cooperative ("TRANSCO") was created by CMEEC in 2009. As a separate joint action agency, it acquires local transmission assets in order to provide transmission services required by CMEEC for its members and customers. TRANSCO is governed by the same body as CMEEC. The management and staff of CMEEC – including the CEO and CFO - operate TRANSCO and oversee its operations. For purposes of this investigation, and if and where applicable, any references to CMEEC incorporate TRANSCO.

² The 2013 trip is not referenced in the indictment, but as it is the first in the series of trips to the Kentucky Derby, it is considered here.

II. Outline of Investigation Process

The investigation involved, in general, review of CMEEC employment contracts, policies and procedures; review of CMEEC minutes, resolutions, budget and other documents; review of email correspondences and public statements; review of BlumShapiro's independent audit reports³; review of forensic evaluation by CohnReznick⁴; interviews of employees and/or other individuals currently or previously associated with CMEEC⁵; identification of findings of fact; and analysis of those findings to develop conclusions as to whether or not Mr. Rankin and/or Mr. Pryor violated the terms of their respective employment agreements. Mr. Rankin and Mr. Pryor were provided multiple opportunities to participate in interviews as part of this investigation. **Exhibit II-3** and **Exhibit II-4**. Mr. Rankin, through his attorney, declined to be interviewed and his attorney submitted a letter on his behalf, which is attached as **Exhibit II-5**. Neither Mr. Pryor nor his attorneys of record in the pending criminal case replied to requests for an interview and/or to participate in the investigation.⁶

³ See, e.g., **Exhibit II-1** (excerpts of BlumShapiro's report on CMEEC's Financial Statements – December 31, 2016 and 2015 outlining purpose and scope of audit).

⁴ See **Exhibit II-2** (December 21, 2018 Forensic Evaluation by CohnReznick).

⁵ Current and former employees and members of the Board of Directors who were associated with CMEEC during the operative times were notified via memo of the opportunity to provide information relevant to the investigation. Only one (1) individual proactively reached out and provided information.

⁶ Garritty v. New Jersey, 385 U.S. 493 (1967), generally allows CMEEC to compel Mr. Rankin (and/or Mr. Pryor while employed) to participate in an investigatory interview under the penalty of finding him insubordinate for refusal to answer questions and/or failure to respond truthfully to questions. Given the pending federal criminal matters, the investigator considered it appropriate to confirm with the federal prosecutors that the information obtained in such interviews could not and would not be used against them (i.e., a potential violation of their Fifth Amendment rights) in the criminal proceedings. The federal prosecutors did not confirm the same. Absent that confirmation, the investigator has not compelled Mr. Rankin and/or Mr. Pryor to participate in interviews, but rather has offered each the voluntary opportunity to participate.

III. **Background**

A. **CMEEC's Structure**

CMEEC was created pursuant to Conn. Gen. Stat. §7-233a et seq., and is a public entity. The express purpose of this enabling legislation is:

to permit municipal electric utilities in Connecticut to join together and form cooperative public corporations for the financing of the construction and acquisition of facilities for the **purpose of furnishing efficient, low cost and reliable electric power** in their areas of operation. The provisions of this chapter shall be deemed to apply to the acquisition, construction, reconstruction, operation, repair, extension or improvement of such facilities, or the acquisition of any interest therein or of any capacity thereof, by a separate legal entity created by concurrent resolutions of two or more municipal electric utilities as herein provided. It is found and declared that there exists in the state a great and growing need for the furnishing of efficient, low cost and reliable electric power to the residents thereof; that the construction and acquisition of suitable facilities for the furnishing of efficient, low cost and reliable electric power is **an important governmental function in which municipal electric utilities should be enabled to act jointly for the purposes of carrying out the provisions of this chapter and therefore the necessity for the provisions of this chapter is hereby declared as a matter of legislative determination to be in the public interest and for the public benefit and good of this state.**

(Emphasis added.) Conn. Gen. Stat. §7-233a. A cooperative such as CMEEC is a:

public body corporate and politic, and in furtherance of its purpose of providing facilities for the generation and transmission of electric power such municipal electric energy cooperative shall be deemed to be **exercising an essential governmental function**

(Emphasis added.) Conn. Gen. Stat. §7-233e (b).⁷ The powers granted under the statute include the investment of "moneys of the municipal cooperative . . . as the cooperative utility board shall deem prudent and in accordance with the laws of the state regarding the investment **of public moneys.**" (Emphasis added.) Conn. Gen. Stat. §7-233e (b) (14).⁸

⁷ The final specific power outlined in §7-233e is as follows: "(29) To exercise all other powers not inconsistent with the state Constitution or the United States Constitution, which may be reasonably necessary or appropriate for or incidental to the effectuation of its authorized purposes or to the exercise of any of the foregoing powers, and generally to exercise in connection with its property and affairs, and in connection with property within its control, any and all powers that might be exercised by a natural person or a **private corporation** in connection with similar property and affairs." (Emphasis added.) Mr. Rankin's attorney asserts that "Board retreats and trips, specifically including Kentucky Derby and golfing events, are classic corporate events", and as a result, per the enabling act legislation itself, Mr. Rankin may engage CMEEC in any such activities. This position has no merit. Section 7-233e is part of the enabling that grants the **corporation – i.e., CMEEC** - the same powers that are given to a private corporation. It does not flow from this that officers can use CMEEC funds in violation of CMEEC rules, policies, procedures, fiduciary duties or other provisions of the law, or for their own use.

⁸ In addition to provisions in the enabling statutes, other indicia of CMEEC's status as a public, governmental entity are its adherence to the Connecticut Freedom of Information Act; see **Exhibit III-1** (2013 CMEEC By-Laws, Article V – Public Meetings and Records) and **Exhibit III-2** (February 21, 2017 Testimony of Drew Rankin); and its treatment as a political subdivision of the state for records retentions purposes. See **Exhibit III-3** (Attorney General Opinion 2013-03).

CMEEC's By-Laws reiterate its statutory purposes, stating as follows:

**ARTICLE I
DEFINITIONS, NAME, LOCATION, SEAL, PURPOSES, AND
GENERAL DESCRIPTION OF GOVERNANCE STRUCTURE.**

Section 5. PURPOSES

The purposes for which CMEEC is organized are to undertake: (a) the procurement, management, provision, and transmission of electric products, including, but not limited to, electric commodity, ancillary and support services, and transmission services; (b) the planning, financing, development, acquisition, construction, reconstruction, improvement, enlargement, betterment, operation, and maintenance of a project or projects to supply electric power and energy for the present and future needs of its Members, and others as contractually provided; and (c) to do and perform all acts and things for the benefit of its Members, and others as contractually provided, which by law, expressed or implied, it is authorized, empowered, or permitted to do and perform.

Exhibit III-1 (2013 By-Laws).⁹

CMEEC is governed by a Member Delegation and a Board of Directors; **Exhibit III-1** (Article I, Section 6); the Board is comprised of member representatives and charged with management of the operational affairs and business of CMEEC. **Exhibit III-1** (Article I, section 6; Article III, Section 1). The powers which the Board may exercise are identified in Article III, Section 11, namely: "all the powers of CMEEC provided in the Act¹⁰ and as otherwise further defined in the Membership Agreement and Bylaws."

The duties of the Board are further described in the By-Laws as follows:

**ARTICLE III
CMEEC BOARD of DIRECTORS.**

Section 3. DUTIES AND EXPECTATIONS OF BOARD OF DIRECTORS.

The duties of the Board of Directors shall be to govern the business and affairs of CMEEC; to exercise all powers of CMEEC; to comply with the provisions of the Act; and to keep the minutes of its proceedings. The Board of Directors shall be comprised of the Member Representatives (and Alternate Representatives as duly authorized pursuant to these Bylaws). The expectations of performance of duties of the Member Representatives (and duly authorized Alternate Representatives) in serving on the CMEEC Board of Directors are as defined herein, and shall include, but not be limited to:

⁹ CMEEC amended its By-Laws effective October 2018. As the 2013 version of the By-Laws was in effect during the time period covered by this investigation, that set of By-Laws is referenced. Of note, the 2018 amendments did not modify in substance any of the provisions considered in this investigation.

¹⁰ Article I, Section 1 of the By-Laws defines "Act" as follows: "Public Act 75-634 of the Acts of the State of Connecticut of 1975, subsequently codified as Title 7, Chapter 101a, Sections 7-233a *et. seq.* of the General Statutes of Connecticut, as amended."

- (a) To attend and participate in at least sixty-five percent (65%) of the combined, applicable CMEEC Board of Director Committee meetings, with such attendance and participation requirement satisfied by physical presence or presence by real-time electronic means as otherwise provided under these Bylaws, CMEEC Board of Director meetings, and formally called industry and role development sessions;
- (b) To become familiar and knowledgeable about, and develop opinions on, the material provided to the CMEEC Board of Directors and presented at the CMEEC Board of Director meetings and Committee meetings;
- (c) To be prepared to discuss information provided to the CMEEC Board of Directors for the scheduled Board of Director meetings and Committee meetings;
- (d) To become knowledgeable about the issues of importance to the electric utility industry, the Municipal Electric Utilities and the CMEEC Board of Directors Committee matters in which the individual is participating;
- (e) To be prepared to evaluate the performance of the CMEEC Board of Directors and CMEEC overall in achieving the goals established by the Board of Directors for the benefit of achieving the CMEEC Vision, Mission, and Objectives.

Exhibit III-1.

As part of and in addition to the Board, there are various officers of CMEEC, as follows:

ARTICLE IV CMEEC OFFICERS

Section 3. DUTIES OF OFFICERS. In addition to duties designated by the Board of Directors, the duties of the Officers of the Board of Directors and of CMEEC are as follows: . . .

Chief Executive Officer: The Chief Executive Officer shall be the principal executive Officer of CMEEC with full responsibility for the planning, operations, and administrative affairs of CMEEC and the coordination thereof pursuant to policies and programs approved by the Board of Directors from time to time, and shall be the agent for service of process on CMEEC. The qualifications for the office of Chief Executive Officer shall be determined by the Board of Directors.

Chief Financial Officer: The Chief Financial Officer shall be the principal financial Officer of CMEEC with full responsibility for financial planning and reporting, Treasury function, debt issuance, credit management, and the coordination thereof pursuant to policies and programs approved by the Board of Directors from time to time, and shall be the agent for financial service on CMEEC. The qualifications for the office of Chief Financial Officer shall be determined by the Chief Executive Officer.

Exhibit III-1.

In 2013, CMEEC entered into a Membership Agreement with the following entities: Borough of Jewett City, City of Groton, City of Norwich, Second Taxing District of the City of Norwalk and Third Taxing District of the City of Norwalk. This Membership Agreement is attached as **Exhibit III-4**. The Town of Bozrah subsequently joined CMEEC as a member. In addition to the Membership Agreement, CMEEC entered into contracts with non-members to

provide various services and/or to develop projects. Under the Membership Agreement, revenue generated from the non-member agreements, "less incurred expenses", was to go into the Margin Account. **Exhibit III-4** (Section 1 - Definition of CMEEC Margin). Funds in the Margin Account were then to be allocated to members per the specific terms of the Membership Agreement, as follows:

- 6.1 **Allocation and Disbursement of CMEEC Margin Generally.** All CMEEC Margin received in a given month shall be allocated and/or disbursed on the first day of the next calendar month, pursuant to this Section 6. Notwithstanding anything to the contrary contained herein, on the first day of the first calendar month following the Effective Date, all then-unallocated CMEEC Margin shall be allocated and/or disbursed pursuant to this Section 6.
- 6.2 **Disbursement of CMEEC Margin Allocable to Margin-Eligible Members.** Each Margin-Eligible Member as of the date of any allocation and/or disbursement of CMEEC Margin shall receive disbursement of the then-unallocated CMEEC Margin pursuant to such Margin-Eligible Member's Membership Interest Level. CMEEC Margin allocated pursuant to this Section 6.2 shall be disbursed into each Margin-Eligible Member's Rate Stabilization Fund unless otherwise directed by such Margin-Eligible Member.

Exhibit III-4. Money from the Margin Account was to be distributed to margin-eligible members, either to the member's "Rate Stabilization Fund" or otherwise as designated by the member. While the source of money (e.g., member or non-member) may be important for determining to what account(s) the money is to be allocated, once money is received by CMEEC and regardless the source, it becomes property of CMEEC. Whether funds are drawn or expensed from one account or another, the funds must be drawn or expensed in compliance with, for example, CMEEC's policies, procedures and the law.

The 2013 Membership Agreement addresses CMEEC budget approval and modification as follows:

8.1 Annual Budget Approval.

On or before December 1 of each year, the Board shall vote in accordance with the voting requirements set forth in the Bylaws to approve a budget covering CMEEC's operating expenses and CMEEC's capital expenses for the following calendar year. Any budget approved pursuant to this Section 8.1, as the same may be amended, shall be an "Approved Budget"

8.3 Authority of CMEEC Officers.

When the Board approves an Approved Budget, unless otherwise stated in such Approved Budget and subject to the requirements of Section 8.4 below, the approval shall authorize Officers, including CMEEC's Chief Executive Officer and any other Officer that the Chief Executive Officer may designate, to execute and administer the Approved Budget within such Officers' reasonable discretion, without further Board approval, including performing the following actions:

(a) Changing the use of approved resources within the Approved Budget based upon operational needs and conditions;

8.4 Additional Board Approvals.

Actions taken by Officers in administering an Approved Budget shall only require additional Board approval if (i) the need for additional approval is expressly stated in such Approved Budget, (ii) the Officers' actions would cause expenditures, with respect to items other than the procurement of Electric Products and Transmission Services, to exceed the Approved Budget by more than ten percent (10%), or (iii) as otherwise provided in the RPSC or the Bond Resolution or Applicable Law.

Exhibit III-4.

B. CMEEC's Contracts with Mr. Rankin and Mr. Pryor and CMEEC's General Employment Provisions

Mr. Rankin currently is CMEEC's Chief Executive Officer ("CEO"), and Mr. Pryor retired from the position of Chief Financial Officer ("CFO") in January 2019.¹¹ Mr. Rankin was hired as CEO in 2011.

1. Mr. Rankin

Mr. Rankin's employment agreement with CMEEC, inclusive of his job description, is attached as **Exhibit III-5**.¹² Section 3 of the agreement summarizes Mr. Rankin's duties as follows:

3. DUTIES:

Mr. Rankin shall perform the customary duties associated with the position of CEO of CMEEC as described in the most current job description of the CMEEC CEO. He shall also perform other related duties, at such times and places and in such manner as the CMEEC Member Delegation and/or the CMEEC Board of Directors shall require and direct. In the performance of his duties, Mr. Rankin shall report directly to the CMEEC Member Delegation and to the Board of Directors and will provide applicable information to said Member Delegation and/or Board of Directors. Mr. Rankin shall use his best efforts in the performance of his work under this Agreement. A copy of Mr. Rankin's job description as CEO is attached as Exhibit C.

The referenced CEO job description provides, in part, the following:

Primary Responsibilities

Plan, develop and implement innovative and proven power supply strategies in order to ensure predictable low cost of power for CMEEC member utilities. . . .

Oversee CMEEC operations to ensure effective execution of established objectives, mission, vision and values which include; enabling the municipal electric utilities to be the providers of choice through a diverse, stable, predictable, integrated portfolio of generation, transmission, energy efficiency and load management resources that maximize the competitive position of Connecticut's municipal electric utilities in the retail electric markets.

Establish policies and controls which manage risk in the following business areas; trading and hedging energy costs, long-term resource procurement, credit, financial and asset management and acquisition. . . .

¹¹ Mr. Pryor joined CMEEC in 1982 and became the CFO in July 2011. Although Mr. Pryor is now retired, CMEEC requested that the investigation consider whether or not his actions and/or omissions would have violated the terms of his final employment agreement.

¹² Mr. Rankin's agreement has many attachments; the pertinent attachment for the purposes of this investigation is the job description, and this is the only attachment included.

Represent CMEEC and CMEEC member utilities interests before state and federal legislative and regulatory agencies.

Ensure the credit worthiness of CMEEC is maintained and continues to be enhanced with appropriate credit agencies to ensure financing of future projects and access to credit.

Develop, maintain and manage CMEEC's operating budget.

Manage CMEEC and subsidiaries' interests to protect assets, margins, and net income so as to provide a competitive cost advantage to member utilities. . . .

Establish and maintain a customer (member utility) focused culture within CMEEC. . . .

Establish a culture of teamwork, communication, collaboration and fiscal responsibility.

Knowledge, Skills, and Abilities: . . .

Ability to communicate effectively orally and in writing and to interact with individuals at all levels within and outside of the organization. . . .

Ability to make public presentations in a professional manner, and to establish credibility with customers, employees and public officials.

Ability to act as the CMEEC contact and spokesperson with the media and officials. . . .

Exhibit III-5.

Mr. Rankin's agreement discusses disciplinary action in terms of termination for cause as follows:

5. TERMINATION:

(a) Termination for Cause. . . "Cause" shall mean (i) any act or omission that constitutes a breach by Mr. Rankin of any of his obligations under this Agreement; (ii) the failure or refusal of Mr. Rankin to perform the duties required of him as an employee; (iii) any violation by Mr. Rankin of any law or regulation which is materially related to the business of CMEEC. Mr. Rankin's conviction of a felony, or any perpetration by Mr. Rankin of a common law fraud; or (iv) any other willful misconduct by Mr. Rankin which is injurious to the financial condition or business reputation of, or is otherwise injurious to the CMEEC or any of its subsidiaries or affiliates. Any termination for Cause may be contested via arbitration under paragraph 8.

Exhibit III-5.

2. Mr. Pryor

At the time of his retirement, Mr. Pryor had an employment agreement with CMEEC.
Exhibit III-6. Mr. Pryor's duties, as outlined generally in Section 2 of the employment agreement were as follows:

2. Duties

2.1 During the term of employment under this Agreement, Key Employee shall serve as Director of Finance and Accounting for CMEEC and as such shall have the responsibility for the supervising, maintaining, and implementing designated functions of CMEEC and those assigned employees in such functions, and shall perform such duties for the management of CMEEC as shall be assigned by the Executive Director of CMEEC subject to the policies established by the Board of Directors of CMEEC.

Exhibit III-6.

Mr. Pryor's employment contract outlines cause for termination of employment as follows:

5.3 Termination by CMEEC for Cause

Key Employee's employment with CMEEC may be terminated for Cause. "Cause" shall mean conduct by the Key Employee which is: (i) willful, continued material misconduct; (ii) repeated substance or alcohol abuse that affects Key Employee's job performance; (iii) conviction of or plea of nolo contendere to a felony; (iv) continued failure to perform the duties or discharges his obligations described in Section 2 hereof or negligence in the manner of performance of his duties or persistent failure to perform his duties at a competent level and standard expected in accordance with the quality and quantity normal for the position of the Key Employee; (v) continued failure to carry out the directives of the Executive Director or Board of Directors, or (vi) a breach by the Key Employee of his obligations under Section 6 of this Agreement. In the event that CMEEC seeks to rely upon items (i), (iv) or (v) above as a basis for terminating the Key Employee for Cause, and assuming that the alleged misconduct, failure or refusal to perform is subject to cure: (a) CMEEC shall first provide the Key Employee with a written notification setting forth Key Employee's alleged misconduct, failure or refusal to perform; and (b) the Key Employee shall have such period of time as stated in such notification (not less than 10 days) to take appropriate corrective action resulting in a cure of any material detriment to the Company resulting from his her alleged misconduct, failure or refusal to perform. In the event that Key Employee takes such appropriate corrective action, Cause for termination shall not be deemed to exist. In the event that there is a Notice of Termination of Key Employee by CMEEC, based on Cause, said notice shall state that the Cause or Causes be asserted in reasonable detail, and said notice, as stated, shall include a written statement of the facts and reasons for such proposed termination. In the event of the occurrence of an event described in items (ii), (iii), or (vi), CMEEC may terminate Key Employee's employment without prior notice.

Exhibit III-6.

3. CMEEC By-Laws, Purchasing Card Procedures and Other Employment Policies

In addition to their employment agreements, Mr. Rankin and Mr. Pryor are also subject to the terms set forth in, among other things, CMEEC By-Laws (see above and Exhibit III-1); CMEEC's Purchasing Card ("P-Card") Policies and Procedures; CMEEC's Personnel Policies and/or Handbook (provided the terms are not in conflict with the employment agreements), and the law. An overview of P-Card policies and pertinent Handbook provisions are outlined below.

a. P-Card Policies and Procedures

In 2013, CMEEC began individually assigning P-Cards to certain employees as an alternative to company credit cards. Prior to issuing a P-Card, CMEEC requires an employee to complete a P-Card Course on on-line regarding proper P-Card use. **Exhibit III-7.**¹³ With regard to the use of their individually assigned P-Cards, Mr. Rankin and Mr. Pryor acknowledged in writing completion of a P-Card Course, and agreed as follows:

I agree I have read and understand all requirements for obtaining and maintaining a P-Card, including any misuse or abuse of the privilege is subject to corrective action up to and including termination.

Exhibits III-8 and III-9. CMEEC's P-Card Program:

was implemented to reduce or eliminate the need for corporate credit cards, petty cash, special checks, and travel advances; and to facilitate the low-dollar, general supply purchasing process when products and services cannot be obtained through the typical purchase order authorization process. . . .

Finance & Accounting manages the P-Card program, and has the authority to suspend or cancel P-Card privileges for any cardholder considered to be in violation of CMEEC or P-Card policies and procedures.

Exhibit III-7.

As outlined in the P-Card Course, three (3) people are involved in the use, review and administrative accounting of any P-Card purchase, namely the cardholder, the expense approver, and the program administrator/accountant. Under the P-Card Policies and Procedures set forth in the P-Card Course: Mr. Rankin and/or Mr. Pryor, as CEO and CFO, may approve individual employees to become P-Card cardholders; individual cardholders "must abide by all CMEEC procurement, travel and employee handbook policies and procedures when using the P-Card"; the "expense approver" is "the 'check' to identify potential or actual misuse of the card"; and the direct supervisor acts as the expense approver for a cardholder. For purposes of Mr. Rankin's P-Card use, Mr. Pryor as CFO served as the "expense approver", and for purposes of Mr. Pryor's use, Mr. Rankin served as the "expense approver." See **Exhibit III-8** and **Exhibit III-9**. The Policies and Procedures further provide that:

¹³ The June 2013 course materials are attached, as these are the materials Mr. Rankin and Mr. Pryor attested to reviewing. December 2013 course materials vary in non-substantive manners (e.g., modifying a log in process, updating program administration contact names).

The expense approver and the cardholder are **equally responsible and accountable** for the transactions.

The expense approver:

- Must be able to determine the business appropriateness of transactions
- Reviews transactions on the expense report and all supporting documentation (e.g. receipts) to ensure compliance . . .

(Emphasis in original). **Exhibit III-7.**

The primary role of the program administrator/accountant with regard to P-Cards is to verify that the general ledger coding on a transaction is correct. While the accountant/program administrator can "dispute, edit, flag and/or divide a transaction after the cardholder has signed off", the cardholder and the expense approver are responsible for the appropriateness of the transactions.¹⁴ In early 2014, Mr. Rankin developed a flow chart which outlined the roles of the cardholder, expense approver and accountant; this further clarifies that the role of the accountant/program administrator is administrative in nature. **Exhibit III-10.**

Reconciliation of charges listed on the P-Card statement with actual charges required that employees submit proper receipts with enough detail to allow the expense approver to perform his/her duty in determining whether the P-Card is being used properly. "A proper receipt is **the ORIGINAL**, shows the itemized description of the items purchased (e.g. shows meals breakdown), the amount paid and the method of payment." (Emphasis in original.) **Exhibit III-7.** As further stated in the P-Card Policies and Procedures:

All purchases must be business-related and necessary. Each transaction must also be consistent with departmental budgetary and project/ grant guidelines.

Key Compliance Issues:

The "Expense Approver" also reviews transactions to ensure they are consistent with the following compliance policies:

Items purchased with the P-Card are not restricted (**e.g. alcoholic beverages, airline club membership, capital equipment, cash advances, donations**)¹⁵

Each transaction complies with current CMEEC handbook policies and procedures, as well as budget procedures

¹⁴ One former program administrator indicated that the role of that position as an administrative reviewer (versus a substantive reviewer) was made clear by Mr. Pryor, who stated to the employee, who had questioned a charge, that "you are not the P-Card police".

¹⁵ Although the wording is slightly confusing, the items in bold are prohibited from purchase with the P-Card. CMEEC confirmed that no formal exemption existed from this restriction for Mr. Rankin; an employee of the Finance and Accounting Department noted that when questioning Mr. Rankin's use of his P-Card for purchases that included alcohol, the employee was informed by Mr. Pryor that the purchase of alcohol was okay for Board functions. No documented policies or written statements support Mr. Pryor's comment. Even if Mr. Pryor correctly identified an exception in the P-Card policy that allowed the purchase of alcohol for Board functions, these functions would still need to be directly related to a business purpose and consistent with CMEEC's By-Laws and other policies and procedures.

- A single item costs less than \$5,000 and is not a "split" transaction
- There is no conflict of interest involvement in the transaction
- Sales tax was not paid (where applicable)
- The P-Card was the appropriate buying/payment method for the transaction

(Emphasis in original.) **Exhibit III-7.**

The P-Card Policies and Procedures also include a multi-page section on fiscally responsible use of the card, which provides as follows:

Your Fiscal Responsibility

Stewardship of CMEEC's financial resources is the responsibility of all employees. Those who purchase or authorize purchases on behalf of CMEEC are responsible and accountable for those transactions. In the PCard process, the *Cardholder*, the *Expense Approver* and the *Accountant* must each ensure they are fulfilling their fiscal duties.

Your Fiscal Responsibility, continued ...

As an authorized participant in the buying process for CMEEC, you must understand and adhere to the following policies and procedures:

- Spending authority
- Signature authority
- Ethical responsibility
- Conflict of interest
- Appropriate buying methods
- Purchasing with grant or project (sponsored) funds
- Restricted items and services
- Avoid paying sales tax

Your Ethical Responsibility

As a P-Card holder you are actively involved in the procurement function. You must maintain a keen sense of professional ethics to serve CMEEC in a responsible manner.

If you are even unsure about a situation, give yourself an Ethics Test:

How would the headline read if the newspaper printed a story on the situation?

Does it hurt or offend anyone?

Was the decision made in an open and competitive environment?

Would you be comfortable defending the decision criteria in court?

Is the price fair and reasonable?

Is it worth the risk of having your purchasing capabilities removed permanently?

Are you risking your job or reputation?

(Emphasis added.) **Exhibit III-7.** The suggested “Ethics Test” above is broad, and reasonably results in an individual’s careful consideration of use of the P-Card.

An entire module of the P-Card Policies and Procedure then addresses “Using the P-Card for Business Meetings/Meals”. The opening statement in this section provides “[u]se of the P-Card to pay for necessary and reasonable business and business meals is allowable as long as the expenses are directly related to CMEEC business.” The provisions then outline acceptable business use, as follows:

Business Purpose

A clear business purpose contains all information necessary to substantiate the expenditure including a list of attendees and their purpose for attending, business topics discussed, or how the expenditure benefited CMEEC.

Business Hosting and Business Meals Allowances

Business meal expenses and hosting meals include food, **non-alcoholic beverages, taxes and tips, and should not exceed the maximum allowances detailed in the CMEEC Personnel Policy Handbook.**

Note: Alcoholic beverages are expressly prohibited from federal funding, so it is important to maintain the original receipts that detail the meal(s) purchased.

An explanation must accompany all expense submissions for business and hosting meals. Any business meal cost that exceeds the maximum allowance stated in the CMEEC Personnel Policy Handbook must be accompanied by a detailed explanation and have approval from the expense approver (supervisor).

(Emphasis added.) **Exhibit III-7.**

b. Personnel Policy Handbook

In addition to the P-Card Policies and Procedures, Mr. Rankin and Mr. Pryor also signed off on receipt of CMEEC's Personnel Policy Handbooks at various times; see **Exhibit III-11** and **Exhibit III-12**; and Mr. Rankin authored the "Welcome" or "Appreciation Letter" to the April 1, 2013 and January 1, 2017 updates. In both opening letters, Mr. Rankin inclusively stated:

A core element of a highly qualitative work environment producing exceptional quantitative results is a reasonable set of standards for our diverse Employees to understand and honor. In that spirit, CMEEC utilizes a Personnel Policy Handbook to clearly articulate the standards.

This Personnel Policy Handbook contains the key policies, goals, benefits, and expectations of CMEEC for all of us as Employees, as well as other information applicable to our employment.

Exhibit III-13 (2013) and **Exhibit III-14 (2017)**. The "Introduction" to the Handbooks further provides that "[e]ach Employee is responsible for understanding and abiding by CMEEC's policies and formal practices." **Exhibit III-13 (2013)** and **Exhibit III-14 (2017)**.

In the 2013 and 2017 Handbooks, "Policy 210 – Business Travel and Expense Reimbursement – Business Meeting/Training Travel, Meals and Lodging" reads as follows:

**Policy 210 - Business Travel and Expense Reimbursement
Business Meeting/Training Travel, Meals, and Lodging**

All business travel must be authorized by the immediate Supervisor. Employees approved travel plans should be coordinated through the CMEEC Administrative staff. When approved, the costs of travel, meals, lodging, and other expenses, including the cost of the course, conference, or meeting, **directly related to accomplishing business travel objectives** will be addressed by one of three methods, including a) a reimbursement to Employee of the actual cost, or b) paid in advance by the company, or c) by cash advance to the Employee provided those expenses are documented and are reasonable in the discretion of CMEEC.

Employees may use personal credit cards or company credit cards to the fullest extent possible to minimize cash advances. Employees should submit a written request to their Supervisor detailing the amount requested when travel advances are needed. Upon return from the travel, any unused cash advances and receipts must be turned into accounting within five (5) business days.

To cover the Employee's expenses associated with personal dining, CMEEC provides a fifty-five dollar (\$55) per day per diem for each full day on business travel, and a thirty dollar (\$30) per day per diem for each day of travel on each side of the trip. In cases where an Employee may incur expense for self and a non-Employee business associate for business related reasons, the Employee shall submit an expense reimbursement form for the non-Employee portion of the expense, subject to Supervisor approval.

Expense Reimbursement

CMEEC will reimburse Employees for reasonable out of pocket business expenses, including travel expenses incurred while on assignments away from the normal work location. All expense reimbursement requests must be approved by the immediate Supervisor and be accompanied with receipts for those expenses. **Reimbursement requests for meals or entertainment need to contain documentation of attendees, titles, company name, name, and location of where meal or event took place, the exact amount, and date of the expense.** Mileage reimbursement requests must contain date, purpose, to and from locations and mileage traveled. Out of pocket business and travel expense reimbursement requests must be submitted within ten (10) business days of the business and/or travel completion.

CMEEC assumes no obligation to reimburse Employees for expenses that are not authorized or in compliance with its business travel and expense policy. The CEO or CFO must approve any deviation of the business travel and expense policy.

Abuse of this business and travel expense policy by the Employee, including falsifying expense reports to reflect expenses not in accordance with the policy (i.e.: personal expenses unrelated to business), is subject to corrective action, up to and including termination of employment.

Meals

CMEEC provides a per diem for meals while on business and/or training travel outside of the local area. **In addition, meals and/or entertainment for business meetings outside of CMEEC office building may be reimbursable when the following occurs, business is discussed, and person(s) attending have a potential or actual business relationship with CMEEC.**

Reimbursement requests need to contain documentation of attendees, titles, company name, name, and location of where meal or event took place, the exact amount, and date of the expense.

Lodging

Lodging arrangements should be coordinated through CMEEC Administrative staff. In case a cancellation is necessary, it is the Employee's responsibility to ensure cancellation is processed. Invoices for lodging must be provided to Finance and Accounting.

Air/Rail Travel

Travel arrangements should be coordinated through CMEEC Administrative Staff. Upgrades for travel are not expensed by CMEEC and would be at the Employee's expense. Parking for Air/Rail travel is reimbursable, as well as taxi, bus, or shuttle fares.

Car Rental

Employees may rent a car with immediate Supervisor's authorization for business travel if this is a more cost effective means for travel, such as in cases of reimbursement for use of Employee's personal car, taxi fares, and or shuttles. Employees should rent a car in the compact car rental category.

Collision insurance should be taken. Mileage will not be reimbursed, however out of pocket costs for fuel would be reimbursed. Rental vehicles must be returned intact and on time. Should an accident occur while using a rental car, Employees should notify the car Rental Company, local authorities, and Human Resources.

Use of Company Car and Personal Automobile

Employees who are involved in an accident while traveling on CMEEC business must promptly report the incident to their immediate Supervisor, whether utilizing CMEEC vehicles or not. Vehicles owned, leased, or rented by CMEEC may not be used for personal use without prior Supervisor authorization.

In the event an Employee is required to use their personal vehicle for CMEEC business, reimbursement for use of Employee's car is in accordance with CMEEC's expense reimbursement policy outlined above and with current IRS mileage allowance. The Employee should confirm their personal automobile insurance covers business travel. In the event of an accident, the Employee will need to contact their personal insurance company. CMEEC will not cover an Employee's deductible or other costs if Employee is involved in an accident with their personal automobile. The Employee should obtain and retain appropriate coverage for their personal vehicle that would sufficiently cover liability/expenses incurred in the event of an accident while using that vehicle for limited CMEEC business.

(Emphasis added.) **Exhibit III-15 (2013) and Exhibit III-16 (2017).**

The 2013 and 2017 Handbooks also contain "Policy 214 – Code of Business Conduct, Ethics Policy, and Complaint Procedure" which reads, in pertinent part, as follows:

Policy 214 - Code of Business Conduct, Ethics Policy, and Complaint Procedure

Employee Conduct

The continued success of CMEEC is dependent upon our Members' and customers' trust and we must be dedicated to preserving that trust. CMEEC will comply with all applicable laws and regulations and expects its Employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

In general, the use of good judgment, based on high ethical principles, should guide Employees with respect to lines of acceptable conduct. If a situation arises, where it is difficult to determine the proper course of action, the matter should be discussed openly with the Employee's immediate Supervisor and, if necessary, the CEO, for advice and consultation. Compliance with this policy of business ethics and conduct is the responsibility of every CMEEC Employee. **Disregarding or failing to comply with this standard of business ethics and conduct may lead to corrective action, up to and including termination.**

CMEEC's Code of Ethics

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. The following are applicable to all CMEEC Employees and include the prohibition against;

- **Use of position** or confidential information gained in employment with CMEEC **for the financial benefit of the individual** or their immediate family (spouse, child, child's spouse, parent, brother, or sister) or business (in which the individual is an owner, Officer or Director).

- Any direct or indirect financial interest, or if any relatives of such Employee has any direct or indirect interest, on a transaction involving a purchase (value at more than \$200), any contract or lease without disclosing such conflict of interest to the CEO or in the case of the CEO, to the Chairman of the Board, prior to making any commitments for such purchase, contract, or lease.

(Emphasis added.) **Exhibit III-17 (2013)** and **Exhibit III-18 (2017)**.

IV. Factual Findings

Upon review and consideration of the information gathered, we have outlined various factual findings as follows:

A. Kentucky Derby Trips - Overview

CMEEC, as authorized by Mr. Rankin (and as allowed and/or approved by CFO Mr. Pryor¹⁶), paid for trips to the Kentucky Derby from 2013-2016, and made a pre-payment for a similar trip in 2017, before canceling that trip. These trips and their circumstances have been chronicled in, among other places, investigations by local municipal ethics boards and resulting decisions; minutes of local municipal meetings; state legislative proceedings and history; and in the media. In short, CMEEC paid for four (4) weekend trips to the Kentucky Derby (inclusive of the Kentucky Oaks races the day prior to the Derby) for various Board members, employees, vendors, and/or others (totaling 24-40 people each year) between 2013-2016, and made certain non-refundable payments towards an anticipated 2017 trip. Such payments were made through checks, P-Cards and/or wire transfers. No Board or committee meetings were noticed in accordance with law and/or identified in itineraries, nor business presentations made on any of these trips. Various municipal employees and officials were deemed by the ethics boards in the City of Norwich and City of Groton to have violated local ethics rules by attending the trips, and a 5 year forensic audit completed by CohnReznick in December 2018, found such spending "appeared inconsistent with CMEEC's purpose", as outlined in CMEEC's By-Laws.¹⁷

¹⁶ See, for example, requisition approvals by Mr. Pryor for air transportation to the 2016 Kentucky Derby trip and for the ticket packages for the anticipated 2017 Kentucky Derby trip. **Exhibit IV-1**.

¹⁷ Of note, the forensic evaluation completed by CohnReznick; see **Exhibit II-2**; and the annual audits of financial statements by BlumShapiro; see **Exhibit II-1**; are two different processes.

BlumShapiro has completed the annual audit of financial statements for CMEEC throughout the time period covered in this investigation. One purpose of an annual audit of financial statements is to determine if an entity's financial statements include material misstatements (inclusive of omissions). Such misstatements are considered to be material if they, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of users made on the basis of the financial statements. Financial statement users could include owners, investors, members, creditors, regulators and others.

In annual audits, the determination of materiality generally begins with choosing a benchmark and then applying a percentage to it. Assets and revenues are each widely accepted benchmarks. For the period of 2013-14, BlumShapiro used assets as the audit benchmark for CMEEC. Thereafter, the benchmark was changed to revenues because it was a more appropriate measure in terms of costs and benefits to the Members. In those years, materiality was then calculated as a percentage of its overall revenues within a generally accepted range of 0.5% to 1.0% of such revenues. The specific percentage within this range was selected each year by the auditor based upon CMEEC's recent history of any noted accounting adjustments, consistency and quality of accounting management, and any other business changes or events that could potentially impact the users of the financial statements. Utilizing this concept of materiality, the actual costs associated with the Kentucky Derby trips would not present themselves as anomalies in the audit, and would not result in heightened scrutiny (absent a different reason; see, *infra*, footnote 22).

The task performed by CohnReznick, deemed a "forensic evaluation" was mandated from PA 17-73. That public act required, among other things, an evaluation of revenue and expenses for five (5) years, an opinion on conformance to Chapter 101a of the state statutes and CMEEC's By-Laws, and recommendations, if any, to ensure conformance to the statutes and By-Laws in the future. CohnReznick specifically indicated that its evaluation was not an audit under either generally accepted auditing or accounting procedures; rather, this evaluation was designed to determine if expenditures, such as those on retreats, complied with state statute and CMEEC's By-Laws.

A brief review of each of these trips follows.

1. 2013 Kentucky Derby Trip

In February 2013 (after the Board passed the 2013 Approved Budget), Mr. Rankin utilized CMEEC funds (drawn from the Administrative and General account) to purchase twenty-four (24) ticket packages and pay related expenses (e.g., air fares and other associated expenses), for events including the Kentucky Oaks and Kentucky Derby, spanning from May 2-5, 2013. Mr. Rankin selected the "Trophy Room" ticket package, with a per person ticket price of \$ 5,949. The Trophy Room package included, among other things, hotel accommodations, gift bags, tickets to the races, viewing from the Trophy Room (on the fifth floor, allowing views of the paddocks and finish line), along with gourmet food and an open premium bar. The signed ticket package is attached as Exhibit IV-2. The initial mailed invite for the event makes clear that all expenses would be paid by CMEEC; **Exhibit IV-3**; and all expenses and submitted requests for reimbursement in fact were paid by CMEEC. There is no evidence that the funds for this trip were identified in any proposed budget¹⁸ and/or that Board members took a separate vote to approve of the use of CMEEC funds in this manner.

It is uncertain whether or not this initial invite was sent to all regular and alternate Board members.¹⁹ The invite provided, in part, as follows:

You and a guest are cordially invited to a "CMEEC Next Generation" strategic retreat in Louisville, Kentucky, for the celebrating of multiple achievements;

- The completion of the Rate 9 contracts, the asset refinancing(s), the revisions of Bylaws, and the creation of the Membership Agreement
- The reinforced and more solid foundation you as leaders and owners of CMEEC created for all of those following, in sustaining customer value.

In essence, we are celebrating YOU, for your incredible leadership, unrelenting commitment to excellence on behalf of your customers, and of course, the significant someone supporting and encouraging you as you shaped CMEEC's future.

Exhibit IV-3. Mr. Rankin utilized the phrase "strategic retreat" in the invitation to describe the trip. In organizational management, the phrase "strategic retreat" or a "strategic planning session" typically involves reviewing and/or updating a strategic plan, or focusing on one or more issues specific to the organization through work sessions, seminars or the like.²⁰ The invitation further referenced, in fact, that there will be a **"Members' only meeting"**, as well as

¹⁸ The budget for "strategic retreats" for 2013 was \$10,000.

¹⁹ No lists of actual invitees (versus attendees) were located. As both regular and alternate Board members went on these trips, the investigators have assumed that all regular and alternate Board members were invited.

²⁰ See, e.g., Liteman, M., Campbell, S., Liteman, J (2006) *Retreats that Work*, John Wiley & Sons, Inc., San Francisco, CA (e.g., Chapter 1 – Working with the Client ("a retreat is not a company picnic, a party . . .", p. 9; reasons to hold and not to hold retreats, pp. 10-14); Chapter 2- Planning the Retreat; Chapter 9 – Leading a Strategic Planning Retreat); Garry, J. (n.d.). Board Retreats Done Right. Retrieved from <https://www.joangarry.com/board-retreat/>.

“multiple strategic planning sessions” and “several team building events, including the Kentucky Oaks and Derby” (Emphasis added.) **Exhibit IV-3.**

A subsequent, more detailed itinerary reflects that despite the representations of meetings and planning sessions, there were **no** scheduled or noticed meetings of any type during the trip; **Exhibit IV-4**; and in fact, no “Members’ only meeting”, “multiple strategic planning sessions”, or organized team building events were held. In various prior proceedings and/or in the media, individuals attending this event (as well those attending the 2014, 2015 and 2016 event) have confirmed that no meetings were noticed pursuant to the law and no meetings were held. Attendees spent Friday and Saturday mornings and afternoons in the Trophy Room at Churchill Downs to socialize, eat, drink and watch the races, and then did whatever they wanted in the evening.

Mr. Rankin subsequently described the reasons for the Kentucky Derby trips were to create a higher achieving company and as follows:

I created the retreats to try to foster a more collegial atmosphere and provide a forum to employees and Board Members as an opportunity to build greater trust and personal insight on a less formal basis.

Exhibit III-2. Mr. Rankin was consistent in describing the purpose of the trip as connecting Board members and CMEEC employees (versus any type of strategic planning session or Member meetings). The minutes of the City of Groton Utilities Commission meeting on October 26, 2016, likewise cite Mr. Rankin as stating, in reply to a question why the City Mayor was not invited on these trips,

it was not a question of not inviting her, but rather that the trip was to create an environment, and a forum, **with focused attention to build lots of relationships between members of the Board and those working with the Board on a regular basis, to try and create an environment that would produce an effective board.** Every dollar CMEEC has spent was done in the best interest of the company and the best interest of our end users. . . .

(Emphasis added.) **Exhibit IV-5.** The minutes further cite Mr. Rankin as indicating:

. . . .the retreat was intended to build qualitative relationships and to sustain those relationships. As the Commission knows, it can be very tough to get together for a couple of hours a month, and the many hours of preparation needed for those meetings, to build those types of relationships. Mr. Rankin stated he understands that doesn't sell or meet everybody's needs. Mr. Rankin went on to sa[y] there was nothing "magical" about selecting the Kentucky Derby for the retreats, **he made the decision because he was trying to nurture and build upon those relationships. It wasn't a gift or a reward, but Mr. Rankin looked at it as an investment. A strategic, qualitative event.** . . .

Mr. Rankin said the choice of the Derby was his choice, based on nothing more that the trips were producing the desired results in team building and better relationships.

(Emphasis added.) **Exhibit IV-5.** He further noted to The Day newspaper the importance to the Member municipalities, stating that the trips “were designed to foster positive relations, trust and

good rapport **among the six member municipalities.**"²¹ (Emphasis added.) **Exhibit IV-6.** In essence, Mr. Rankin described the purpose as an opportunity for employees and Board Members to meet and talk on a "less formal" basis than at a Board meeting.

The total cost of the 2013 trip, paid by CMEEC, was approximately \$143,500.²²

As of May 2013, there were ten (10) regular Board members and eleven (11) alternate Board members, for a total of twenty-one (21) Board members.²³ Of the twenty-four (24) individuals attending in 2013, six (6) were regular members of the CMEEC Board of Directors; two (2) were alternate members of the Board; and two (2) were CMEEC employees (Mr. Rankin and Mr. Pryor), for a total of ten (10) Board members and employees of CMEEC. Four (4) regular and nine (9) alternate members of the Board did not attend. The remaining fourteen (14) attendees were guests (three (3) representatives an outside company; and eleven (11) spouses/guests of Board members/employees). Less than half of the Board (eight (8) of twenty-one (21)) attended, and less than half of the total attendees were Board members and/or employees (ten (10) of twenty-four (24)). **Exhibit IV-7.**

2. 2014 Kentucky Derby Trip

In August 2013, Mr. Rankin executed a Purchase Agreement in the amount of \$207,720 for thirty (30) Trophy Room ticket packages for the 2014 Kentucky Derby at a per person price of \$6,924. **Exhibit IV-8.** Thirty-two (32) individuals ultimately attended.²⁴ Per the requisition approved by Mr. Rankin (and initiated by him as a result of the Purchase Agreement), and as had been the case in 2013, funds for the three (3) installment payments of \$69,240 were drawn from the Administrative and General account. **Exhibit IV-9.** It is unclear when any Board members may have known about this planned trip (as no dated invitation with a list of recipients was located), but by early March 2014, James Sullivan inquired about booking a flight for the Kentucky Derby, and Mr. Rankin indicated to CMEEC's Office and Facilities Manager that:

He can fly in and out from and to wherever and whenever. If he wants to come in early or stay late, we would have to find [a] hotel room for him.

²¹ Of note, there were five (5) member municipalities during 2013, 2014 and 2015, and six (6) members, with the inclusion of the Town of Bozrah, in 2016. The Town of Wallingford had members on the Board in 2013, but its members are not included in the tallies, as Wallingford was not a party to the March 2013 Membership Agreement.

²² The budgeted amount for "strategic retreats" in 2013 was \$10,000. During the annual audit of CMEEC's financial statements for 2013, representatives from BlumShapiro questioned Mr. Pryor regarding the significant percentage increase in the actual expenditure for this line item. Mr. Pryor informed them, in general, that this was for a strategic retreat which the Board considered important. Mr. Pryor's response appeared reasonable, and under the nature and scope of their engagement as auditors of financial statements, representatives from BlumShapiro had no reason to probe more deeply into this item, other than to confirm appropriate documentation existed for payment of the costs. Mr. Rankin's attorney suggests that BlumShapiro passed positive judgment on CMEEC's use of funds for a retreat; see Exhibit II-3; but the scope of BlumShapiro's engagement did not include such pronouncement, and Blum Shapiro did not in fact issue a judgment – positive or negative – regarding such use of funds.

²³ Per footnote 13, two (2) regular and two (2) alternate members from the Town of Wallingford were not included in these calculations.

²⁴ A thirty-third individual – CMEEC's Office and Facilities Manager – flew to Kentucky but did not participate in the events..

Exhibit IV-10. Mr. Rankin sent a brief invite/itinerary to Mr. DeMuzzio and a Groton Utilities employee in late March 2014, where he noted that “[a]ll air travel, rental car, lodging and food will be provided” and that “[p]lanned activities are attending the Kentucky Oaks and the Kentucky Derby.” **Exhibit IV-11.** There was no mention of any business activity in this invite, as the only planned activity was attending the races.

A detailed itinerary was issued in late April 2014. **Exhibit IV-12.** A “welcoming dinner” was held at a local Louisville restaurant on Thursday, May 1, 2014, with a cost in excess of \$8,100. The trip itinerary for Friday May 2, and Saturday May 3, 2014, outlined full days at the race track, followed by free time in the evenings, with departure on Sunday, May 4, 2014. As with 2013, no business meetings were in fact noticed or held, nor were any minutes published.

The total cost of the trip, paid by CMEEC, was approximately \$236,000.²⁵

As of May 2014, there were nine (9) regular Board members and nine (9) alternate Board members, for a total of eighteen (18) Board members. Of the thirty-two (32) attendees in 2014, six (6) were regular members of the CMEEC Board of Directors, two (2) were alternate members of the Board (the same eight (8) regular and alternate members who attended in 2013) and four (4) were CMEEC employees (Mr. Rankin, Mr. Pryor and two (2) staff members). The remaining twenty (20) were spouses, guests and/or others. Three (3) regular members of the Board and seven (7) alternate Board members did not attend. Less than half of the Board members (eight (8) of eighteen (18)) attended, and less than one-half of the total attendees were Board members and/or employees (twelve (12) of thirty-two (32)). **Exhibit IV-7.**

3. 2015 Kentucky Derby Trip

In early June 2014, Mr. Rankin executed a Purchase Agreement in the amount of \$206,970 for thirty (30) Trophy Room ticket packages for the 2015 Kentucky Derby from April 30 – May 3, 2015. **Exhibit IV-13.** The per person ticket package cost \$6,899. Mr. Rankin secured these ticket packages without a 2015 budget in place. Mr. Rankin further secured a private airplane for attendees to leave from and return to Groton airport, with catering and beverage service on board, at a cost itself of over \$57,000. **Exhibit IV-14.**

After executing the Purchase Agreement (and CMEEC paying for a portion of the 2015 trip), Mr. Rankin’s presentation to the Budget and Finance Committee for the 2015 proposed budget included a slide titled “CMEEC A&G Budget Assumptions” with the bullet point “Changed convention for funding Member Delegation Expenses and Retreats.” The slide “CMEEC Margin” had a line item identified as “Member Delegation Expenses and Retreats”, with a proposed budget of \$350,000.²⁶ **Exhibit IV-15.** In 2014, this line item did not exist.²⁷ For the

²⁵ The budgeted amount for retreats was \$105,000.

²⁶ For 2015, actual expenses under this line item (which also included the October trip to The Greenbrier (see Section IV B 2) totaled approximately \$453,000.

²⁷ Prior to 2015, CMEEC utilized funds from the Administrative and General Account for such items.

budget package presentation to the entire Board, this line item (as well as many others) was shortened, in this particular case to "Expenses."

While it is unclear whether all Board members were aware of the inclusion in the 2015 budget of funds for these types of activities, at least some individuals on the budget committee, who analyzed the proposed budget on a closer basis, asked questions and were informed that funds were for the Kentucky Derby trip. Expenses for this trip, and certain other Board events in 2015, were charged against the Margin Account.²⁸

Mr. Rankin created (or caused to be created) a multi-page package of materials titled "2015 Strategic Retreat – Members and Guests Appreciation Celebration." **Exhibit IV-16.** These materials contained an introductory note from Mr. Rankin, which stated, in part:

Yes, a most wonderful time of the year, where we take a few moments to celebrate and honor you as dedicated and awesome Board Members and your Strategic Guests / Partners, who give so much of your precious time²⁹ and talent to CMEEC and the CMEEC Member Utilities. . . .

Thank you so much, for all you do for CMEEC and your own Member Utilities, directly and indirectly, and accept your significance and positive contribution to creating strong communities.

Exhibit IV-16.

Upon arrival on Thursday, April 30, 2015, CMEEC paid for a dinner at a local restaurant at a cost of over \$10,800. As with the prior Derby trips, the itinerary for the trip contained no business meetings. When referencing the activities for Friday May 1 and Saturday May 2, 2015, the itinerary stated:

Eat, drink be merry, and watch races all day with open bar, open buffets, and balconies overlooking the paddocks and the finish line. Wagering is available within the seating area.

Exhibit IV-16. All expenses were paid for by CMEEC (CMEEC even offered, if needed, to reimburse for shipping hats to and/or from Kentucky). The total cost of the trip, paid by CMEEC, was approximately \$403,000.

As of April 2015, there were nine (9) regular Board members and nine (9) alternate Board members, for a total of eighteen (18) Board members. Of the thirty (30) attendees in

²⁸ CMEEC set up a "contra" Margin account for purposes of accounting for and tracking charges to the Margin account for Board activities. The question remains whether CMEEC funds – notwithstanding allocation to the A&G budget, the Margin Account or any other line – were used in compliance with CMEEC's policies, procedures, By-Laws, employment agreements, the law, etc. One former employee indicated that Mr. Rankin, when questioned by that employee regarding the propriety of using funds from a public agency for these costs, stated the expense was for team building (and therefore appropriate).

²⁹ Of note, the CMEEC Board is not comprised, as is more typical of non-profits, of all Board members who volunteer their time. Here, many Board members are employed by member utilities, and presumably working with CMEEC – and attending Board meetings during their regular work day (or otherwise) - is part of their jobs. Board members not employed by member utilities are eligible for payments for attendance and/or participation in Board meetings in consideration of the time required to prepare for and meaningfully participate in Board matters (and time taken away from jobs and/or other obligations), sometimes as much as \$10,000 a year. To the extent that Mr. Rankin suggests that Board members are "volunteers", such description simply is inaccurate, at the least, for those employed by member utilities.

2015, four (4) were regular Board members and three (3) were alternate members (six (6) of these seven (7) attended in 2013 and 2014, as well). Four (4) CMEEC employees attended (Mr. Rankin, Mr. Pryor and the same two (2) staff members as in 2014). The remaining nineteen (19) attendees were spouses, guests and/or others. Five (5) regular Board members and six (6) alternate Board members did not attend. Less than one-half of the Board (seven (7) of eighteen (18) attended, and only about one-third of the total attendees were Board members and/or employees (eleven (11) of thirty (30)). **Exhibit IV-7.**

4. 2016 Kentucky Derby Trip

On Sunday, May 3, 2015, apparently just after leaving Kentucky from the 2015 event, Mr. Rankin sought to reserve forty (40) Trophy Room ticket packages for the 2016 Kentucky Derby, and by May 4, 2015, he signed a Purchase Agreement for the same in the amount of \$279,960, or \$6,999 per person. **Exhibit IV-17.** Mr. Rankin then executed an additional agreement in the amount of \$8,000 for forty (40) paddock tours (the area where the horses are saddled). The expenses and obligations were incurred before CMEEC adopted a budget for 2016. For the presentation of the proposed 2016 budget to the Budget and Finance Committee, Mr. Rankin included a line in the Margin Account for "Delegation Related Expenses" of \$400,000. The presentation to the full Board identified this line item in the Margin Account as "Expenses". **Exhibit IV-18.**

Mr. Rankin subsequently signed a Purchase Agreement for an additional room in March 2016 in the amount of \$3,779; **Exhibit IV-19**; and obtained two (2) more tickets to the Kentucky Derby for \$1,400. CMEEC again secured a private jet at a cost of approximately \$40,000, and also reimbursed airline fees to those who flew separately.

Mr. Rankin prepared a CMEEC 2016 Strategic Retreat pamphlet, similar to that issued in 2015, referencing a celebration of "you as a dedicated and awesome Board Member", and citing CMEEC's success to derive, in part, from "strategic retreats such as this one." **Exhibit IV-20.** Upon arrival on Thursday, May 5, 2016, CMEEC had secured a reservation for forty (40) people at a local restaurant. The Office and Facilities Manager previously confirmed with the restaurant that CMEEC could prepay for dinner, and then pay for "cocktails and anything additional the night of the dinner." CMEEC prepaid \$9,828 (\$195 per person, plus tax and gratuity), and then paid an additional \$3,730 for "[c]ocktails and anything else" for a total dinner cost of at least \$13,558. **Exhibit IV-21.**

The itinerary for the events did not list any business meetings, and none in fact were held. The itinerary for Friday and Saturday provided, in part:

Eat, drink be merry, and watch people and races all day with open bar, open buffets, and balconies overlooking the paddocks and the finish line. Many times, there are live interviews occurring by national media on our balcony. Wagering is available within the seating area. Paddock Tour is available as well, with room for twenty on both days.

Exhibit IV-20. When outlining the event to a potential attendee (who at times served as a consultant to CMEEC), Mr. Rankin echoed the above statement in the itinerary when he stated the following:

... Thursday night once we check into the hotel we will have dinner at a revolving restaurant overlooking the Ohio River and Southern Indiana, called Revue. Generally, we will hit the streets for a little bit of the street festival that's going on to celebrate the Derby. Then on Friday we will board a bus about 9:30 and head to the track where we will be dressed in our pink garb for breast cancer awareness and watch the Kentucky Oaks all day. In the evening everyone kind of wanders around so there will be a natural grouping of people based on their respective appetites. Then on Saturday we get on the bus again in the morning and spend the whole day at the Derby. We will return back to hotel again about 6:30 or 7 p.m. Again people will pursue their interest on the streets where there are lots of festivals going on. We will have the limos pick us up on Sunday morning about 11 o'clock or 12 o'clock will take us back to the airport. At the racetrack itself, we are indoors where you have indoor food and drink all day, and wagering windows. Then we have the ability to walk outside where one deck overlooks the finish line and another deck overlooks the paddocks. I also got tickets this year to have people go down to the paddocks and be next to the horses :-)

Exhibit IV-22. Mr. Rankin included more vendors and guests for this trip (perhaps due to CMEEC having prepaid for forty (40) ticket packages). For example, Mr. Rankin made an invite to a member of Vistage Connecticut (an executive networking and coaching organization to which he belonged), and then to that individual's daughter and son-in-law. **Exhibit IV-23.**

The total cost of the trip, paid by CMEEC, was approximately \$374,000.

As of May 2016, there were twelve (12) regular Board members³⁰ and seven (7) alternate Board members, for a total of nineteen (19) Board members.³¹ Of the forty-four (44) attendees (some of whom attended only in part), five (5) were regular Board members, three (3) were alternate Board members, and four (4) were CMEEC employees (Mr. Rankin, Mr. Pryor and the same two (2) staff members as in 2014 and 2015). The remaining thirty-two (32) attendees were spouses, guests and/or others. Seven (7) regular Board members and four (4) alternate Board members did not attend. Less than half of the total Board (eight (8) of nineteen (19)) attended, and only about one-quarter of the total attendees were Board members and/or employees (twelve (12) of forty-four (44)). **Exhibit IV-7.**

5. 2017 – Cancelled Kentucky Derby Trip

A day after returning from the 2016 Kentucky Derby – on May 9, 2016 - Mr. Rankin sought to secure forty (40) ticket packages and paddock tours for the 2017 Kentucky Derby. By May 23, 2016, Mr. Rankin had authorized (and Mr. Pryor approved) a Purchase Agreement for

³⁰ An alternate member from Groton Utilities also served as a regular member from Bozrah. For purposes of these numbers, that individual is counted solely as a regular member from Bozrah.

³¹ Although included in the total of twenty (20), one (1) regular member passed away in June 2016, and one (1) alternate member joined in April 2016. Their respective opportunities to participate and/or availabilities for the trip are uncertain.

40 ticket packages in the amount of \$290,960 (or \$7,274 per person), and in June 2016, Mr. Rankin further approved a Purchase Agreement for forty (40) paddock tours in the amount of \$8,000. **Exhibit IV-1** and **Exhibit IV-24**. CMEEC made installment payments totaling about \$202,000 before the trip was cancelled following public criticism of the trips. CMEEC received a refund of approximately \$90,000, and therefore paid approximately \$112,000.

6. *Kentucky Derby Cost Summary*

Between 2013 and 2016, CMEEC paid approximately \$ 1,268,500 for four (4) actual trips and one (1) canceled trip to the Kentucky Derby.

B. The Greenbrier Trips

In 2015, Mr. Rankin authorized for CMEEC to pay for two (2) trips to The Greenbrier, a luxury resort in West Virginia with renowned golf courses and other amenities. Mr. Rankin and three (3) Board members traveled to The Greenbrier in August 2015, and Mr. Rankin and twenty-two (22) others traveled to The Greenbrier in October 2015. Descriptions of these trips follow.

1. August 2015 The Greenbrier Trip

On July 9, 2015, Mr. Rankin sent an email to Mr. Bilda, Mr. James Sullivan and Mr. DeMuzzio titled "August dates". This email provided, in part:

The plan is to have a board strategic retreat in October at The Greenbrier in West Virginia. Prior to such, I thought it would be beneficial for the four of us to visit the place in August to check it out and craft the agenda. I have idea of what I would like to cover and we can use that time to finalize. As a quick summary, I plan to layout and share with you our 10 year strategic plan an[d] enhanced operating system we have been working on within the company.

We can evaluate the location and finalize the itinerary. . . .

I propose we visit in August during the week, arriving for example on a Monday evening evaluating the hotel and Course on Tuesday with dinner that night, more evaluation on Wednesday and then returning Wednesday night. To that end, what weekdays in August work well for the three of you to execute this plan?

Exhibit IV-25.

By July 17, 2015, Mr. Rankin had secured four rooms at The Greenbrier with accompanying golf packages for Tuesday August 4 – Friday August 7, 2015. The room deposits, at \$659 per room, totaled \$2,636. **Exhibit IV-26** and **Exhibit IV-27**. On that same date, Mr. Rankin notified Mr. Bilda, Mr. Sullivan and Mr. DeMuzzio by email of the booking, providing a rough itinerary (arrive on August 4, 2015; play two golf courses on August 5, 2015; play two golf courses on August 6, 2015; tour of the Bunker (an emergency Cold War fallout shelter) in the morning and fly home on August 7, 2015). Mr. Rankin included a link to the website, noting a video of the accommodations and further stated "You have to check this place out"³² He indicated he would secure flights when he received names and birthdates of everyone. **Exhibit IV-28**. Mr. Sullivan then replied via email with the requested information for flights, and stated "Is your name 'I deserve a raise?'". Mr. Rankin replied "I always like to think so :-). I thought we would love the historic nature of Oakhurst." **Exhibit IV-28**. Mr. Rankin informed the Office and Facilities Manager (who reconciled his PCard purchases and receipts) that these expenses were for the Compensation Committee. **Exhibits IV- 26 and IV-27**.

³² The Greenbrier website currently (and consistent with what Mr. Rankin indicated to August 2015 participants and then October 2015 participants) includes detailed information regarding meeting rooms (and contact information for discussion of appropriate rooms for specific numbers and purposes) and all other aspects of the property, as well as various videos.

On July 19, 2015, Mr. Rankin secured roundtrip flights for himself, Mr. Bilda, Mr. Sullivan and Mr. DeMuzzio between Providence, RI to Roanoke, VA for \$2,552.80, and then also purchased "ChoiceSeats" benefits³³ for each person, totaling an additional \$494.00, for a combined total of \$3,046.80. **Exhibit IV-29.** Subsequent fees related to a flight cancellation/rescheduling and other fees totaled \$679.10. **Exhibit IV-30.** Mr. Rankin also secured a rental car, with an approximate cost of \$341. **Exhibits IV- 27, IV-31 and IV-32, Exhibit.** Mr. Rankin informed the Office and Facilities Manager this expense was to be charged to the Compensation Committee. **Exhibit IV-31.**

Mr. Rankin emailed the three others on August 1 and 2, 2015 with updates on the itinerary and information on the dress code. As for itinerary, Mr. Rankin outlined the following:

Wednesday – 8/5 – The Old White 10:12 AM
Wednesday- 8/5 – The Greenbrier Course – 4:06 PM

Thursday -8/6 – The Old White TPC – 8:36 AM
Thursday- 8/6 – The Oakhurst Links 1884 – 3:00 PM (believe this is only nine holes)

Friday 9/7 – The Bunker Tour – 9:30 AM

After the tour of The Bunker the group would depart for a 2:30 PM flight from Roanoke. **Exhibit IV-33 and Exhibit IV-34.** As for the dress code, Mr. DeMuzzio emailed to the group: "Can I charge a pair of khakis to cmeec? just kidding". **Exhibit IV-35.**

The tab at The Greenbrier for lodging and golf for Mr. Rankin, Mr. DeMuzzio, and Mr. Bilda, and likely also dinners for Mr. Sullivan, totaled an additional \$11,261.39, which Mr. Rankin identified as "Greenbrier trip for Oct. Retreat Lodging + expenses Drew, John B, Ed D, Jim S". **Exhibit IV-32.** Mr. Sullivan's lodging and golf fees actually were not included in this invoice; he apparently paid for them separately and then submitted a reimbursement request (which was paid). Between the down payment for four rooms for one night each of \$2,636, the \$11,261.39 invoice, and a miscellaneous P-Card charge of \$153.53, the charges to CMEEC for The Greenbrier were at least \$14,050.92. **Exhibit IV-32.** Among these charges were meal charges to Prime 44 West of **\$1,100** on August 5, and **\$900** on August 6 (i.e., two meals totaling \$2,000). Mr. Rankin put additional charges on the P-Card for food (\$105.61), rental car (\$109.95 and \$231.02), and excess baggage fees (\$85), totaling \$531.58. **Exhibit IV-32.**

Mr. DeMuzzio, Mr. Bilda and Mr. Sullivan all submitted expense reimbursement requests related to this trip which were approved by Mr. Rankin and paid by CMEEC. Mr. DeMuzzio's reimbursement requests totaled \$390.58, and included additional baggage fees for the flights (\$270), airport parking fees (\$44.64), food (\$18.44) and mileage to and from the airport (\$57.50). **Exhibit IV-36.** Exhibit Mr. Bilda's reimbursement request was for an extra baggage fee of \$120.00. The description of the expense was listed as "Extra baggage Greenbrier Comp. Committee Mtg." **Exhibit IV-37.** Mr. Sullivan submitted a total expense reimbursement request

³³ Purchasing "ChoiceSeats" benefits added some enhancement to the seats/travel, but the nature of the particular enhancement is unclear.

of \$2,754.41, comprised of charges for The Greenbrier (\$2,658.24), excess baggage fees (\$60), airport food (\$8.81) and taxis (\$27.36). **Exhibit IV-38.**

In summary, the known costs to CMEEC associated with the August 2015 trip to The Greenbrier include (rounded to the dollar):

\$3,047	Flights/ChoiceSeats (Mr. Rankin/CMEEC P-Card)
\$679	Flight changes (Mr. Rankin/CMEEC P-Card)
\$14,051	The Greenbrier (Mr. Rankin/CMEEC P-Card)
\$532	Food, rental car, baggage (Mr. Rankin/CMEEC P Card)
\$391	Food, baggage, airport parking, mileage to/from airport (Mr. DeMuzzio - Reimbursement)
\$120	Baggage (Mr. Bilda - Reimbursement)
\$2,658	Lodging/golf at The Greenbrier, baggage, food, taxis (Mr. Sullivan – Reimbursement)
<hr/>	
\$21,478	= Total

The August 2015 trip to The Greenbrier has been described by Mr. Rankin's counsel as a "scouting" trip; **Exhibit II-3**; and Mr. Rankin in his email correspondence indicated that the intent of the trip was to determine if The Greenbrier would be a good place for a full Board retreat later in that year. **Exhibit IV-25.** The costs of this trip have been designated and/or identified on various CMEEC documents as those allocated to the Compensation Committee. These charges were not applied against the Margin Account, but were charged against the Administrative and General Board Committee Expense – CEO Administrative Account as attributable to the Compensation Committee.

As of July 2015 when the trip was booked and August 2015 when the trip was taken, the following individuals comprised the Compensation Committee: Mr. Bilda (Chair), Mr. DeMuzzio, Paul Yatcko and James Smith, with Mr. Rankin serving as the "CMEEC Coordinator". **Exhibit IV-39.** Mr. Yatcko and Mr. Smith neither were invited nor attended the August 2015 trip.

The Charter for the Compensation Committee identifies the following six (6) categories of Committee responsibilities:

1. Provide the Board Focal Point for the Development of Employee Evaluation Criteria Consistent with the Board Strategic Plan
2. Evaluate Human Resources and Compensation Strategies and Policies
3. Oversee Succession Planning and Leadership Development
4. Conduct Executive Performance Review and Set Executive Compensation

5. Oversight of Employee Benefit Plans
6. Set Director Compensation

Exhibit IV-40.

None of these responsibilities relate to coordinating or organizing Board retreats and/or scouting locations for Board retreats. Only two (2) of the four (4) members of the Compensation Committee were invited and participated in the August trip, and no Compensation Committee meetings were noticed pursuant to law or held during the August trip, nor were any minutes subsequently published.

To summarize, Mr. Rankin coordinated a trip from August 4-August 7, 2015 with the then-Board Chair Mr. James Sullivan and two of the four Board members who comprised half of the Compensation Committee – Mr. DeMuzzio and Mr. Bilda – to The Greenbrier resort in West Virginia. Mr. Rankin authorized the expenditure of over **\$21,000** of CMEEC funds for himself and three (3) Board members to, among other things, travel to and from The Greenbrier (including, in one case, mileage reimbursement to the airport), dine twice at a luxurious restaurant at a total cost of \$2,000, golf four (4) times and take a tour of an historic site.

2. October 2015 The Greenbrier Trip

On August 17, 2015, a representative from The Greenbrier emailed Mr. Rankin a Letter of Agreement for “20 Traditional Guest Rooms” from October 20-23, 2015. Mr. Rankin questioned whether “rooms other than the traditional” were available, and the representative provided Mr. Rankin with a list as follows:

Traditional Guest Rooms at \$239.00 per room, per night

Superior Guest Rooms at \$279.00 per room, per night

Deluxe Guest Rooms at \$316.00 per room, per night

Draper Suites at \$359 per room, per night.

Mr. Rankin decided to “go with the Deluxe Rooms if you have enough available. . . . I just want to make sure the experience is wonderful for all involved, and those rooms should help make it so. . . .” **Exhibit IV- 41.** Due to room availability, Mr. Rankin ultimately signed an agreement with The Greenbrier for nine (9) Superior Guest Rooms and eleven (11) Deluxe Guest Rooms, with a required down payment of \$4,460. **Exhibit IV-42.** Mr. Rankin also inquired about “gifts I may be able to purchase to have placed in rooms, is there a listing or catalog I can review?” **Exhibit IV-43.**

On Monday, September 14, 2015, Mr. Rankin sent an email to Mr. Pryor and thirteen (13) of the eighteen (18) regular and alternate Board members³⁴ inviting them (and a guest) to participate in a “strategic retreat” in October 2015 at The Greenbrier. Mr. Rankin then forwarded the email to two (2) staff members (who also had attended the Kentucky Derby). **Exhibit IV-44.** The “high level itinerary” included in the emails identified departure from Groton Airport on a chartered plane in the afternoon of Tuesday, October 20, 2015, followed by a group dinner; on both Wednesday, October 21 and Thursday October 22, 2015, “Member Delegation work session 9 AM to Noon”, followed by individual/group activities and a group dinner; and departure on a private plane at noon on Friday, October 23, 2015. Invitees were requested to respond by Friday, September 18, 2015. **Exhibit IV-44.**

By Thursday, September 17, 2015, Mr. Rankin had added two (2) non-CMEEC affiliated individuals (a local, former politician and spouse) as attendees. **Exhibit IV-45.** As of the afternoon on Friday, September 18, 2015, five (5) regular or alternate Board members indicated they would attend. Mr. Rankin then invited two (2) of CMEEC’s lobbyists, noting that “[i]f you wish to bring your spouse, you are more than welcome. The treat is ours!” **Exhibit IV-46.** These invitees did not attend. He also emailed a consultant, offering that he could bring a guest; the consultant asked if he would be facilitating anything, and Mr. Rankin replied that they would consider some exercises after determining the final tally of attendees. Mr. Rankin further commented “If you’re not familiar with the Greenbrier, take a look at the link. You could bring the whole family :-).” **Exhibit IV-47.** The consultant attended alone and made a presentation. On Saturday, September 19, 2015, when Mr. Pryor indicated that his spouse would not be joining him, Mr. Rankin replied “[y]ou are welcome to bring another guest, friend or family is you wish.” **Exhibit IV-48.** On Monday, September 21, 2015, Mr. Rankin released three (3) Superior (versus Deluxe) rooms, thereby reducing the total number of rooms each night from twenty (20) to seventeen (17).

Mr. Rankin set up tee times for anyone who wanted to golf (and several did golf), and advised individuals to ship their clubs to the hotel (with expenses forwarded to CMEEC for reimbursement). In an October 8, 2015 email to all those then scheduled to participate, Mr. Rankin stated that “[w]e have an excellent agenda set up for the retreat, with a constructive balance of time to conduct essential business and to conduct essential recreation. . . . Thank you . . . for all you do all year round in creating a higher performing CMEEC.” Mr. Rankin included a brochure “2015 Fall Strategic Retreat – Members and Guests Appreciation Celebration”, with an introductory letter that made no mention of the business portion of the retreat. Rather, Mr. Rankin stated:

I know many of you have checked out the Greenbrier website and learned what an extraordinary place it is, rich with history and wonderful accommodations for all to enjoy. We have a whirlwind of opportunities before us once we arrive at the Greenbrier, with an overwhelming list of activities you are encouraged to utilize, compliments of CMEEC. Each guest will receive a card to use for all services, food, drink, etc., during our stay for maximum convenience. The list of available

³⁴ The Office and Facility Manager also was included on the email as a part of coordinating the event. It is unclear why the email was not sent to all eighteen (18) Board members and/or if an invitation was sent in some other manner. None of the five (5) Board members who were omitted from the email attended the event.

activities follows in this summary, and I suggest you contact them and schedule your fun now to secure your adventure.

Exhibit IV-49. The itinerary did include, on Wednesday, October 21 and Thursday, October 22, 2015 “CMEEC Meeting at 8:30AM until 11:30”, followed by “individual activities as desired and scheduled throughout the morning and afternoon”, and then a group dinner. **Exhibit IV-49.** Leading up to the trip, Mr. Rankin confirmed flight plans and snacks for the plane, gift baskets for all the rooms, additional golf tee times, and dinner plans (including authorization for \$70-\$80 bottles of wine paired with dinners) at The Greenbrier each night. **Exhibit IV-50.**

As of October 20, 2015, there were eighteen (18) total Board members, including nine (9) regular Board members and nine (9) alternate Board members. NPU had three (3) members in flux who are not included in this tally. Mr. Sullivan left the CMEEC Board during October, and one (1) individual who officially joined as a regular member on October 27, 2015 (but attended The Greenbrier event) and one (1) individual who officially joined as an alternate member on October 27, 2015 (and who did not attend The Greenbrier event). Of the twenty-three (23) attendees, four (4) were regular Board members (three (3) of whom had attended multiple Kentucky Derby events), two (2) were alternate Board members (one (1) of whom had attended multiple Kentucky Derby events), four (4) were CMEEC employees (Mr. Rankin, Mr. Pryor and the same two (2) staff members who had attended the Kentucky Derby events), and the remaining thirteen (13) were spouses and/or guests. Twenty (20) people took a chartered flight from Groton Airport on October 20, 2015, and three (3) others traveled from out of state and met the group at The Greenbrier. One-third (i.e., six (6) of eighteen (18)) of the Board members attended. Less than half of the attendees were Board members and employees (i.e., ten (10) of twenty-three (23)). **Exhibit IV-51.**

No meetings were noticed in accordance with the law during the trip, and no minutes were published. One (1) presentation was made by a consultant regarding, in general, an aspect of team-building (which is estimated to have lasted about an hour), and one (1) was made by Mr. Rankin regarding CMEEC’s new Entrepreneurial Operating System. Absent minutes, it is unclear whether all six (6) Board members and four (4) employees attended the presentation(s), and whether the presentations were made on the same day. In addition to golfing and dining, attendees also had the opportunity to participate in any other recreational or spa offerings at the resort as they wished, as well as to tour The Bunker.

CMEEC incurred room and resort fees charges of approximately \$19,000; food and beverage charges of approximately \$15,000; recreation (e.g., golf) fees of approximately \$12,000; and retail fees of approximately \$6,500. **Exhibit IV-52.** Retail fees included, in part, the gift baskets placed in all the rooms and the purchase of seventeen (17) women’s scarves totaling \$2,260³⁵. Attendees incurred fees which were also charged to CMEEC, including food and beverage charges of approximately \$6,000; recreation fees of approximately \$4,500; and retail fees of approximately \$200. **Exhibit IV-52.** The total costs charged to CMEEC from The Greenbrier (including the \$4,460 down payment) for the October 20-23, 2015 trip were \$65,448. **Exhibit VI-52.** CMEEC also incurred flight charges of approximately \$43,000; **Exhibit IV-54;**

³⁵ The scarves were purchased by Mr. Rankin and payment was expressly approved by Mr. Pryor. **Exhibit IV-53.**

and, upon receiving requests, CMEEC reimbursed various attendees for certain expenses, including, for example, the purchase of two (2) shirts and two (2) money clips at the golf shop for approximately \$200; and golf club and/or other shipping costs of approximately \$300. In total, CMEEC spent approximately \$110,000 on the October 2015 trip to The Greenbrier. The costs were charged against the Margin Account. As noted above, the 2015 approved budget included a line for "Expenses" in the Margin Account budget; there was no separate or express Board approval of the October 2015 trip to The Greenbrier, and it is not referenced in any Board minutes.

C. CMEEC Sponsored Golf Outings

Between 2013-2016, CMEEC sponsored six (6) golf outings³⁶, paying in full for golf, prizes, food, gifts, lodging (if requested) and transportation (by and between the golf club and lodging). These were not charity events³⁷, but golf outings paid in full by CMEEC for some employees (generally Mr. Rankin, Mr. Pryor and the two (2) staff members who attended other events), some Board members, vendors and guests.

1. 2013 Golf Outing

On August 9, 2013, Mr. Rankin emailed regular and alternate Board members and stated:

Our next Board meeting is August 22, and based on the fairly light tentative agenda, it is a great day to sponsor a little team building event and to enjoy the narrowing days of summer.

To that end, I invite you, and any staff, commissioners, and or guests you may wish to include, to a golf outing at Mohegan Sun Country Club at Pautipaug. . . .

I understand not all of us may be golfers, but I would not let that stand in the way of good team building as there are options to not play, but to engage the other activities.

After the outing, we will provide dinner and refreshments at the club. For anyone traveling desiring overnight lodging, please let us know a well and we will provide. . . .

Exhibit IV-55. Documentation regarding the number of attendees at this event is not available, but some documentation regarding costs is available; the cost of this outing was at least \$3,500.³⁸

³⁶ CMEEC paid for the associated expenses from the Administrative and General Board Committee Expense – CEO Administrative budget line.

³⁷ CMEEC also did sponsor some teams (and sometimes provided hole sponsorships, donated tee-shirts etc.) in various charitable golf tournaments. In its forensic evaluation, CohnReznick raised concerns regarding certain of CMEEC's charitable gifts. The scope of this investigation does not include evaluation of CMEEC's charitable giving practices; it is anticipated that the Board will address, as necessary, CohnReznick's concerns.

³⁸ Available documentation regarding this event is more limited than that for other golf outings, and the cost listed is the minimum based on financial spreadsheets from CMEEC.

2. 2014 Golf Outing

On June 18, 2014, Mr. Rankin sent an email to Board members, inviting them to a team building event after the July 24, 2014 Board meeting, as follows:

Specifically, you and any of your selected employees and or key stakeholders are invited to join us for a golf outing at the Pautipaug Golf Course near CMEEC offices. The rough order scheduled is to leave CMEEC no later than 12:30PM and to start the course events approximately 1:30PM. A group dinner will be provided at the end of the event.

Opening the invite this year to your selected invitees is a way to try and further enhance general relationships and awareness of each others' staff and key stakeholders, so feel free to include those you believe will benefit from the event and interactions.

Exhibit IV-56. Thirty-six (36) people were scheduled to golf on July 24, 2014. As of that date, there were eighteen (18) regular and alternate Board members. Eight (8) Board members were slated to golf, as well as seven (7) CMEEC employees. The remainder of the twenty-one (21) golfers were employees of member utilities, vendors and guests. The total cost of this event, including, for example, various gifts (wicking shirts, golf towels, hats), food, drink and golf was approximately \$9,500.³⁹ **Exhibit IV-57.**

³⁹ The Board held its August 28, 2014 meeting at the TPC River Highlands in Cromwell. Mr. Rankin solicited input from various Board members regarding the opportunity to golf after the Board meeting. **Exhibit IV-58.** At least two (2) Board members expressed interest; we have been unable to locate adequate additional information to determine whether or not this outing in fact occurred.

3. 2015 Golf Outings

In 2015, CMEEC sponsored three (3) golf outings – one (1) each in June, July and August. All three (3) outings were preceded by Board meetings. The June and August Board meetings were held at CMEEC, and the golf events were held at the Mohegan Sun (Pautipaug) Country Club. The Board moved its July meeting to the TPC River Highlands in Cromwell; those interested golfed after the meeting.

a. June 17, 2015 Golf Outing

In March 2015, CMEEC paid deposits for two (2) outings of at least forty-eight (48) people at Mohegan Sun Country Club, ultimately scheduled for June 17 and August 27, 2015. Mr. Rankin sent an invitation via email on May 15, 2015 (the list of invitees is not stated, but it appears to be to non-Board members and/or non-CMEEC employees) which provides, in part:

Two years ago we started dedicating an afternoon following a Board meeting to hosting a celebration of success and production by inviting the many people contributing to CMEEC's success to an afternoon of celebratory team building golf and fun.

Now, in the third year, we find we have ever-greater reason to celebrate, and hope you can join us at both, or at the very least, one of the two events, for you are a valued contributor to our success and your participation would make the day that much more phenomenal! I realize not all are golfers, but fun can be had regardless, so do not limit yourself :-)

The general plan is listed immediately below, but obviously to your choosing:

Board Meeting 9:30 to 11:30 (optional)

Lunch at CMEEC 11:30-12:15 (optional)

Tee times starting about 1:30

Golf and cart refreshments 1:30-6

Refreshments, awards, laughter 6 to 7

Dinner, refreshments, elevating laughter 7 to ?

To aid those of us with overzealous "laughter", a van⁴⁰ is provided and will pick us up at Norwich Inn and Spa at 12:00 or so and return us at ? (10ish), where you will have a room at the historic spa inn reserved especially for you⁴¹, so you may rest safely and enjoy a leisurely morning, or need be, hustle back to the job thingy. Of course, CMEEC treat on all, so being short on change is not an excuse. You could always bring a golfing, or non-golfing, guest with you, and as you enjoy the celebration, they could do spa stuff

⁴⁰ CMEEC secured a 20 person "party bus" from a local vendor.

⁴¹ CMEEC secured a bloc of rooms at the Norwich Inn and Spa.

Exhibit IV-59. Mr. Rankin sent out a reminder email to non-Board members and non-CMEEC employees on June 1, 2015, and also sent an email to Board members inviting them to participate on June 17, 2015, in the “third annual CMEEC customer and strategic partner golf outing at Mohegan Sun Golf Club at Pautipaug, immediately following the Board Meeting.” The email to Board members also indicated:

The format is the same as previous years, consisting of teeing off at 1:30 (probably shot gun this year), with classic hole contests, prizes, dinner and refreshments. The event usually ends when the Pautipaug Pub has to close which is approximately 9:30 or 10:00.

We are holding an identical outing on August 27, so if you or one of your invitees is not available, there is another opportunity!

Please invite your staff, strategic partners, and customers as you desire

Exhibit IV-59.

Approximately forty (40) individuals were slated to participate in the golf outing, including seven (7) of seventeen (17) Board members and eight (8) employees of CMEEC. The remainder included employees from member utilities, people associated with CMEEC vendors and/or guests unaffiliated with CMEEC. The costs of this event, including golf, prizes, gifts⁴², meals, beverages (inclusive of alcohol), lodging, bus transportation to and from the course, totaled approximately \$17,000. **Exhibit IV-60.**

b. July 23, 2015 Golf Outing

CMEEC held its July 23, 2015 Board meeting in Cromwell at the TPC River Highlands country club at 9:30 am. Following the meeting, lunch was provided, and, per Mr. Rankin, “[f]or those staying to participate in the team building, that tee-off event will start at 1:00 pm. You may invite your guests to join us anytime during the meeting, but certainly in time for lunch.”

Exhibit IV-61. Mr. Rankin subsequently authorized that the club to prepare lunch for thirty-five (35) people, and plan for twenty-five (25) golfers. The Office and Facility Manager at CMEEC confirmed the increases and indicated to Mr. Rankin “[w]e may have to kick up my Pcard limit again to \$15k, just golf is \$265 per player, then food, drinks, dinner, etc.” **Exhibit IV-61.**

Ten (10) regular and one (1) alternate Board member attended the Board meeting in person. It is unclear who and how many people actually golfed, as no list was available. Assuming all eleven (11) Board members golfed and that twenty-five (25) golfers participated, less than half of the total number of golfers were Board members. The total cost of this golf outing, inclusive of alcohol, was approximately \$11,800. **Exhibit IV-62.**

⁴² Shirts, golf towels and hats were purchased on June 12, 2015, totaling over \$8,000. Given the volume, these items may have also been utilized as gifts, donations or giveaways at other times.

c. August 27, 2015 Golf Outing

On August 10, 2015, Mr. Rankin sent an email to Board members reminding them that “CMEEC is sponsoring the second customer and strategic partner social event on August 27, immediately following the Board meeting.” **Exhibit IV-63.** The event was scheduled for Mohegan Sun (Pautipaug) Country Club. Mr. Rankin further informed Board members:

Please feel free to invite anyone you desire to participate, including any employees, customers, vendors, or other strategic partners with intent to continue building a stronger network for our collective success.

Exhibit IV-63. On the same date, Mr. Rankin emailed a number of vendors (e.g., lobbyists, insurance providers, alternate source energy providers, etc.) who had received notice of the earlier June 2015 golf outing, stating:

As previously communicated, CMEEC is sponsoring the second 2015 customer and strategic partner social event on August 27, immediately following the regularly scheduled CMEEC Board Meeting

As a customer or strategic partner of CMEEC we are excited for your possible participation in this fun afternoon as a small token of our appreciation for you and all you do to help CMEEC succeed

For those wishing to enjoy the full evening, the dinner generally remains festive until 9:30 or 10:00.

If you would like a room for the evening, please advise and we will secure one for you, including your roundtrip transportation from the hotel to the course and back.

Exhibit IV-64. Leading up to the golf outing, Mr. Rankin continued to invite others not on the original invitation to golf, with overnight stays also offered. As a giveaway for the event, CMEEC also purchased special golf balls which bore imprints of some of the participants’ faces.

The CMEEC Office and Facility Manager emailed Mr. Rankin on August 24, 2015, regarding the cost of the event, stating:

Hi Drew - Based on the cost estimate from Mohegan Sun Golf Club, the event will be \$11,250 NOT including the Bar Tab, which could be another \$2-3K. Would you have F&A increase my Pcard by another 12K please (for a total of \$15K), unless you and I can split on our cards, in which case I would need another \$7K. Thank you!

Exhibit IV-65. Mr. Rankin had requested and received temporary increases from his original \$10,000 monthly limit on his P-Card since 2013, and on August 10, 2015, Mr. Pryor authorized a permanent monthly limit increase to \$25,000. Mr. Rankin then requested another increase on August 25, 2015, stating:

Due to combined event costs within same calendar period, please temporarily (until Sept 1) my P Card limit from \$25,000 to \$35,000.

The Board trip, coupled with the Board Customer Event, coupled with Board Room Logo Art Costs, the total may be compromised and cause an issue.

Exhibit IV-66.

Approximately sixty-nine (69) individuals were slated to participate in the golf outing, including at six (6) of seventeen (17) Board members and ten (10) employees of CMEEC. The remainder included employees from member utilities, people associated with CMEEC vendors and/or guests unaffiliated with CMEEC. The costs of this event, including golf, prizes, gifts, meals, beverages (inclusive of alcohol), lodging, bus transportation to and from the course, totaled approximately \$20,000. **Exhibit IV-67.**

d. *Summary 2015 Golf Outings*

The three (3) CMEEC golf outings sponsored in 2015, outlined above and paid for in full by CMEEC resulted in a total cost to CMEEC of approximately \$49,000.

4. 2016 Golf Outing

At the end of 2015, CMEEC began coordinating a golf outing for July 22, 2016; this would be the sole outing sponsored by CMEEC in 2016. In email correspondence with the Mohegan Sun Country Club, the Office and Facility Manager indicated that the CMEEC outing on July 22, 2016, would be the “big one . . . 72 people, 1 p.m. tee off. If we decide on a smaller one, we will schedule that sometime in the future.” **Exhibit IV-68.** CMEEC submitted a \$500 deposit on December 30, 2015, for 72 golfers at \$85.00 per person, for an anticipated total of \$6,120.

On June 17, 2016, Mr. Rankin emailed Board members to notify them that CMEEC would sponsor an “Owner / Customer / Stakeholder Appreciation Event” at the Mohegan Sun Country Club following the Board meeting on Friday, July 22, 2016. **Exhibit IV-69.** Mr. Rankin further indicated that CMEEC was sponsoring a “social dinner meeting” at the Norwich Inn and Spa on Thursday, July 21, 2016, at 6:30 p.m. to catch up with a retired Board member, and stated that CMEEC “would provide rooms for anyone desiring such for an overnight stay” following the social dinner. Mr. Rankin separately noted that the dinner “is just social and not a formal board meeting . . . it is just a social cause.” **Exhibit IV-70.** CMEEC reserved blocs of rooms on Thursday and Friday night.

Mr. Rankin, himself or through the Office and Facilities Manager and others, extended invitations to non-CMEEC Board members or employees, and approximately eighty-eight (88) individuals were scheduled to play on July 22, 2016. Of the nineteen (19) regular and alternate Board members as of July 22, 2016, six (6) participated in the golf outing. Approximately ten (10) golfers were employed by CMEEC, and the remainder were employees of member utilities, vendors and guests. The costs of this event, including the social Board dinner on Thursday, golf, prizes, gifts, meals, beverages (inclusive of alcohol), lodging, bus transportation to and from the course, totaled approximately \$36,500. **Exhibit IV-71.**

D. Overall spending authorized by Mr. Rankin and/or Pryor on Kentucky Derby, The Greenbrier, Golf Outings and other non-operational expenses

Through P-Cards, wire transfers and/or checks, Mr. Rankin and/or Mr. Pryor (who served as the expense approver for Mr. Rankin's P-Card use) also authorized CMEEC spending on, among other things, holiday parties, holiday and/or other gifts⁴³, music and food for office clean up and organization, and food for Performance Information Forum ("PIF") meetings.⁴⁴

Gift cards were purchased in the thousands of dollars, whether for employee bonuses or rewards, for golf prizes, and/or for other known and/or unknown purposes (P-Card statements and/or receipts did not always specify the purpose for these purchases). Of the known purposes for gift card purchases, documentation does reflect that in December 2014, Mr. Rankin authorized the Office and Facility Manager to purchase \$6,000 in American Express gift cards for a retiring member of the Board; to be clear, the individual was not an employee of CMEEC, but was a Board member who worked for and was retiring from a member community (and who in turn was required, per CMEEC policy at that time, to resign from the Board). The notes on the supporting documentation for the pertinent P-Card statement indicate that the \$6,000 charges were for gift cards for a Board member's "retirement Qty 2 - \$3,000 each", to be allocated to the A&G Board Committee Expense – CEO Admin budget line.⁴⁵ **Exhibit IV-72.**

In addition, Mr. Rankin utilized his P-Card on a regular basis for meals for himself and/or others, and he appeared to spare no expense in this regard. For purposes of providing a perspective on Mr. Rankin's use (approved by Mr. Pryor) of his P-Card for meals and beverages we focused on 2015, and excluded any charges for the Kentucky Derby, The Greenbrier and/or golf outings (which are addressed above).

P-Card policies require the submission of itemized meal receipts, and prohibit the purchase of alcohol. Despite the policies, Mr. Rankin did not submit itemized meal receipts when using his P-Card, and as a result, specific alcohol (or any other) purchases are not listed. However, Mr. Rankin consistently authorized CMEEC funds for alcoholic beverages (at the Kentucky Derby, The Greenbrier and the golf outings), and attendees of certain small group meals confirm that Mr. Rankin freely purchased alcohol for anyone who wanted it. It is more than reasonable to find that meal receipts for a few people at significant amounts - in consideration of the locations of the meal and the menu - included the purchase of either very expensive and/or high quantities of alcohol. Mr. Rankin utilized his P-Card for non-catered

⁴³ Such gifts included, for example, fruit and/or flower baskets to Board members and/or others at holidays and/or for get well wishes, etc.

⁴⁴ We note this spending as a component of the climate of spending at the highest management levels within CMEEC, but have not carefully quantified it, and leave to CMEEC consideration of, for example, the propriety of the selection of vendors (e.g., should there be any restrictions on use of companies affiliated with CMEEC through Board members and/or employees), nature of item or service purchased (e.g., was the purchase itself for a legitimate purposes) and scope of spending on these items (e.g., extent or amounts). Separate from these costs, CMEEC utilized a company owned and/or operated by Mr. Bilda's spouse for certain purchases (e.g., t-shirts, hats, custom golf balls) for various outings and events; the costs associated with the items are included in the analysis of the costs of the outings and events outlined above.

⁴⁵ Mr. Rankin initially authorized the purchase of a \$5000 American Express gift card, but when the Office and Facility Manager indicated that the largest denomination was \$3000 and suggest that she purchase a \$3000 and \$2000 gift card, Mr. Rankin replied "get him two 3000 dollar."

meals for groups under ten (10) people (and often-times under five (5)) in the amount of at least \$17,000 in 2015 alone. These charges included, for example:

February 26, 2015	Two (2) receipts, totaling \$1009, include references to "Sterling" (which apparently involved a biomass project) for seven (7) people (four (4) employees and three (3) Board or member utility members). 2019 entrée prices at this restaurant are approximately \$25-\$40; coupled with appetizers and/or dessert, the total cost of \$1009 for seven (7) people more likely than not includes alcoholic beverages. Further, the charges were broken into one for \$850 at 10:16 p.m., and a second for \$159 at 11:08; it is reasonable to believe that the second charge was solely for alcoholic beverages. Mr. Rankin did not submit any itemized receipt.
April 21, 2015	"Coaching Session" with an interim CEO at the Griswold Inn, and P-Card charged for \$84 at 6:40 pm; followed by an additional charge for Mr. Rankin and two (2) others for continued coaching at the Griswold Inn, with his P-Card charged for \$232 at 8:38 pm. Total meal cost for three (3) people of \$316. 2019 dinner prices, coupled with appetizers and/or dessert alone at the Griswold Inn do not reasonably equate to this amount for three (3) people in the absence of alcohol. Mr. Rankin did not submit an itemized meal receipt.
May 21, 2015	Mr. Rankin wrote on two (2) receipts from a restaurant at the Norwich Inn and Spa, in the total of \$292, "Biz Dev – Drew Michael". 2019 entrée prices at this restaurant are approximately \$25-\$40; coupled with appetizers and/or dessert, the total cost of \$292 for two (2) people more likely than not includes alcoholic beverages. Mr. Rankin submitted a third receipt for \$39.00 just after 11 p.m., with the only notation "P Card." Mr. Rankin did not submit itemized receipts.
September 1, 2015	"Neppa event resolution", with Mr. Rankin's P-Card swiped three (3) times at a restaurant at the Norwich Inn and Spa for himself, Mr. Bilda, a staff member, and the staff member's significant other in the total amount of \$965.00. A staff member confirmed that alcohol was purchased at this dinner. Mr. Rankin did not submit an itemized receipt.
September 21, 2015	Mr. Rankin wrote "Drew Jim John", with no other explanation for a \$359 meal at a restaurant at the Norwich Inn and Spa. The cost for three (3) people reasonably includes alcoholic beverages. Mr. Rankin did not submit an itemized receipt.
December 15, 2015	Mr. Rankin wrote "post holiday party" and incurred a charge of \$152 at a restaurant at the Norwich Inn and Spa for himself, Mr. Bilda and his spouse, and two (2) staff members and their significant others. This charge occurred after the CMEEC holiday party and reasonably was for alcoholic beverages.

Exhibit IV-73.

Of note, the only instance discovered where Mr. Rankin acknowledged an “accidental” use of his P-Card occurred in April 2015.⁴⁶ Mr. Rankin used his P-Card at an airport and received an *itemized* receipt for “G-Morn Shiraz” – i.e., wine - totaling \$13.75. **Exhibit IV-74.** It is unclear why Mr. Rankin identified this purchase as an “accidental” use, but it is an instance, unlike others, where an alcohol purchase, which is prohibited under the P-Card policies, is clearly identified on the receipt. CMEEC has no documentation confirming that Mr. Rankin actually repaid CMEEC for this purchase.

Although we did not analyze as closely Mr. Rankin's use of his P-Card for meals in other years, his pattern of use in 2015 is consistent with his authorization of significant amounts of CMEEC money on meals and alcoholic beverages for the Kentucky Derby, The Greenbrier and golf outings; there is no reason to believe that his P-Card use in other years differed in nature from his spending in 2015.⁴⁷ The following – focusing only on 2015 – outlines the type and approximate extent of spending, outside of operations, authorized Mr. Rankin and/or Mr. Pryor:

Kentucky Derby – May 2015	\$403,000
Mohegan / Pautipaug Golf – June 2015	\$17,000
TPC River Highlands Golf – July 2015	\$11,800
The Greenbrier (4 person trip) – August 2015	\$21,000
Mohegan / Pautipaug Golf – August 2015	\$20,000
The Greenbrier (23 person trip) – October 2015	\$110,000
Meals/alcohol on Mr. Rankin's P-Card – 2015	\$17,000 ⁴⁸
Total	\$599,800

⁴⁶ We combined our review of Mr. Rankin's P-Card statements for 2013-2016 with an historical review by CMEEC's financial staff of Mr. Rankin's entire P-Card use, and identified this as the sole instance of a reported “accidental” use of the P-Card.

⁴⁷ Of note, on several occasions, Mr. Rankin and/or Mr. Pryor requested increases on Mr. Rankin's P-Card limit, which started at \$10,000 per month and escalated, at times, to \$40,000. **Exhibit IV-75.**

⁴⁸ The documentation submitted by Mr. Rankin in support of his use of his P-Card in this regard never included itemized receipts, often lack specifics that would allow for a determination if the charges were directly related to accomplishing business objectives, and the amount, at times, reasonably lead to the conclusion that alcohol was purchased.

E. Payments for and/or reimbursements to James Sullivan for certain travel and accompanying expenses between 2011-2015

James Sullivan was a Director on the CMEEC Board of Directors from 2001 to 2015; in his professional life during that period, he worked as a lobbyist.⁴⁹ Neither Mr. Sullivan nor his firm was ever a registered lobbyist for CMEEC, but as member of the Board of Directors between roughly 2009-11, Mr. Sullivan did act for and/or on behalf of CMEEC, along with employees and others associated with CMEEC, in addressing legislators and/or government officials on a fuel cell project involving the federal government, and received reimbursement for travel expenses. **Exhibit IV-76.**

In its audit, CohnReznick found that \$66,000 had been paid by CMEEC to Mr. Sullivan between 2013-2015 for "lobbying and other expenses."⁵⁰ As part of that \$66,000, Mr. Sullivan was paid for Board participation consistent with CMEEC policy. **Exhibit IV-77.** Mr. Sullivan also requested and received reimbursement for certain Kentucky Derby and The Greenbrier, trips, as did others.

Separate from the 2013-2015 payments outlined above, Mr. Rankin authorized reimbursement to Mr. Sullivan during this time frame for certain travel and expenses for which no documented reason, business or otherwise, exists and/or can be found. Mr. Sullivan made several trips to Washington, D.C. (where his spouse serves as member of the House of Representative from California) for which there are no documents (such as Board meeting minutes) explaining what he was doing to justify direct payment or reimbursement by CMEEC. **Exhibit IV- 78** (Examples from 2013, 2014 and 2015). Mr. Rankin (directly to staff and through his attorney) has maintained that Mr. Sullivan's political connections were of significant benefit to CMEEC; **Exhibit II-5**; there is, however, no documentation to support how his travel at various times was utilized for CMEEC's benefit.

Of note, CMEEC had a history of approving all of Mr. Sullivan's requests for expense reimbursement; as described above, when Mr. Sullivan inquired about travel plans to the 2014 Kentucky Derby, Mr. Rankin instructed the Office and Facilities Manager that Mr. Sullivan could "fly in and out from and to wherever and whenever", and if Mr. Sullivan wished to arrive early or stay late, then CMEEC "would have to find [a] hotel room for him." **Exhibit IV-10.** Further, rather than pursue reimbursement for all travel expenses, Mr. Sullivan utilized the Office and Facilities Manager to book travel which did not have an express, documented business

⁴⁹ Side issues related to Mr. Sullivan's professional work as a lobbyist arose in the course of the investigation. Mr. Sullivan's lobbying firm received payments from entities (e.g., the Metropolitan District Commission ("MDC") and Brightfields, LLC) which entered into contracts with CMEEC at the time Mr. Sullivan was receiving lobbying fees from those entities. While the optics of these transactions are muddled due to Mr. Sullivan's position as a lobbyist, we cannot state, after a general overview of the transactions, that the transactions were not independently vetted by CMEEC and/or that Mr. Sullivan inappropriately utilized any influence to cause CMEEC to enter into the contracts. Review of the MDC transaction also included consideration of the fact that, at that time, the son of the Chair of the MDC was employed by the lobbying firm – Medici, LLC – utilized by CMEEC for state lobbying work. CMEEC paid Medici, LLC approximately \$48,000 per year, but no one from Medici, LLC had apparently ever appeared before the Board to make any report, written or oral. While it is unclear what work product Medici, LLC provided CMEEC, and while the optics again are problematic, the investigator cannot find, on the basis of the information reviewed, that Medici, LLC or a particular lobbyist inappropriately utilized any influence to cause CMEEC to enter into the contract with the MDC. CMEEC did not renew its contract for service with Medici in 2019.

⁵⁰ For ease in review, this investigation focuses on the time period of the forensic evaluation.

purpose. It is unclear why Mr. Sullivan may have been given such treatment by CMEEC. CMEECs 2013-2015 reimbursements to and/or payments on behalf of to Mr. Sullivan, with no documented reason, are approximately \$20,000-\$25,000.

F. Impact to CMEEC of the activities outlined in the indictment, this investigation and the oral and/or written statements made by Mr. Rankin to the media and/or public officials regarding the Kentucky Derby trips, Greenbrier trips and/or legislative changes to the statute creating CMEEC

The impact to CMEEC of the activities outlined above, as well as the fact of the indictment and this investigation, cannot be objectively quantified. Since October 2016, when the Kentucky Derby trips were reported in the news, through ethics investigations in the City of Groton and City of Norwich, through an FBI investigation and grand jury process, through legislative changes to CMEEC's enabling statute in 2017 and continuing consideration of additional legislative changes, through the issuance of indictments, and through this investigation process, CMEEC personnel and service providers have spent incalculable amounts of time, energy and effort in response to the fallout from the activities. There is no reasonably foreseeable end to these costs of money, time and personnel. CMEEC has been heavily criticized in the media and state legislature since October 2016; its value and reputation have been, and continue to be, tested, even to the point of calls for its dissolution.

When the story regarding the Kentucky Derby broke in 2016, Mr. Rankin made numerous comments to the press, along with statements before the City of Groton Utilities Commission. **Exhibit IV-79** and **Exhibit IV-5**. In these statements, Mr. Rankin, for example, defended the "retreats" at the outset, maintained that they provided a valuable benefit to CMEEC, and commented on hundreds of hours put in by the Board in making CMEEC a success. He subsequently provided written testimony to the state legislature on February 21, 2017, regarding proposed changes to CMEEC's enabling statute and indicated, in part:

As CEO, I created the retreats to try to foster a more collegial atmosphere and provide a forum to employees and Board Members as an opportunity to build greater trust and personal insight on a less formal basis. **I now appreciate these specific forums were not in the best interests of CMEEC and I am professionally responsible and accountable for the adverse consequences of my bad judgment in these business decisions. I am sorry for my actions that are causing such harm,** and will work to ensure we restore the full faith and confidence of all stakeholders.

Exhibit III-2.⁵¹

In June 2017, the Connecticut legislature passed Public Act ("PA") 17-73, modifying the enabling statute for CMEEC and placing various restrictions and oversight on CMEEC's operations. On May 30, 2017, at 10:46 p.m., the eve of a vote by the state Senate on the bill that became PA 17-73 (Senate Bill 4), Mr. Rankin sent an email to state Senators Cathy Osten and Paul Formica which was highly critical of that bill (as well as Senate Bill 413, also aimed at

⁵¹ While Mr. Rankin stated in February 2017 that he had taken responsibility for exercising "bad judgment" and the consequence of the same, his position in March 2019, as expressed through his attorney, is a denial that he "violated any law, engaged in any misconduct, violated any agreement, or that his performance was deficient in any regard." There is no mention of Mr. Rankin exercising "bad judgment" or taking responsibility for the consequences of the same in the letter from his attorney. **Exhibit II-5.**

CMEEC). Mr. Rankin considered certain of the proposed legislation to be a “myopic and single entity interest sponsored by Wallingford”⁵² and then described the legislation as follows:

We all know this is nothing more than Senator Somers inflicting what personal based pain and punishment she can to Groton Utilities, the City of Groton, and CMEEC, in concert with Wallingford, and I call upon your principles of doing what is right for your communities and the greater state of Connecticut in actively defeating this bill. . . .

I believe in you and trust you to do what is right, and these punitive, self-centered amendments are wrong in every dimension, and will be steadfastly opposed and litigated by CMEEC and our six member municipalities for the contractual interference they represent.

Exhibit IV-80. On May 31, 2017, the state Senate passed certain of the legislation regarding CMEEC, and six (6) members of the legislature⁵³ sent Mr. Rankin a letter criticizing his questioning of their impartiality as “offensive and inaccurate”, stating that his “words were hurtful and inaccurate and show you are unfit to remain as Chief Executive Officer of CMEEC”, and requesting an apology to Senator Somers. **Exhibit IV-81.** Mr. Rankin’s email and the legislature’s reaction were the subject of additional unflattering news coverage for CMEEC. **Exhibit IV-82.**

As CMEEC continued to address the fallout from the trip through, for example, development of new policies regarding retreats and/or compliance with the provisions of PA 17-73, the media continued to publish stories regarding the same. With the indictments, placement of Mr. Rankin and Mr. Pryor on administrative leave (prior to his retirement) and this investigation, CMEEC remains in the spotlight for negative reasons. In late November 2018, Fitch Ratings placed the A+ long-term rating for CMEEC on “Rating Watch Negative”, citing the indictment, this investigation and the fact that:

CMEEC has a small management staff. The sudden absence of the CEO and retiring CFO is likely to place additional time and capacity burdens on the remaining staff, particularly in light of additional work needed to support the internal investigation.

Exhibit IV-83. In December 2018, Moody’s Investment Services noted that while CMEEC’s “core business fundamentals continue to be transacting in normal course”, the indictments are:

clearly a credit negative development, raise governance related issues, and increase the potential for future strain on internal and external business relationships

Exhibit IV-84.

At the time of the incident in May-June 2017 regarding Senator Somers and pending legislation, Mr. Rankin emailed the “CMEEC Combined Distribution Group” and stated in part:

⁵² The Town of Wallingford has previously been a member of CMEEC. Wallingford and CMEEC were in the midst of arbitration proceedings regarding issues related to Wallingford’s departure from CMEEC.

⁵³ The six (6) legislators were Sen. Cathy Osten, Sen. Paul Formica, Sen. Len Fasano, Sen. Gary Winfield, Rep. Lonnie Reed and Rep. Laura. Hoydick.

Despite all the chaos around us, I, Team One, and our Board, appreciate all you do every day to "Energize Customer and Community Prosperity", and **as this will undoubtedly pass**, stay focused on the greatness you create, and thank you for all you do each and every day.

(Emphasis added). **Exhibit IV-85.** Exactly what Mr. Rankin meant by "this" will pass is uncertain, but the acrimony and negative impacts to CMEEC flowing from certain of Mr. Rankin's actions and/or statements have not ended.

V. Analysis

A. Overview

The investigator has sought to identify as many objective facts as reasonably possible to allow a fair analysis of the conduct of Mr. Rankin and Mr. Pryor. The investigator relied heavily on documentation requested and received from CMEEC.⁵⁴ Mr. Rankin and Mr. Pryor did not consent to interviews, and others declined interviews or provided limited information. While there is no guarantee that all objective facts pertinent to the employment of Mr. Rankin and Mr. Pryor have been identified, the nature and scope of the information gathered allows for a fair analysis of the relevant conduct of Mr. Rankin and Mr. Pryor.

As described in Section III, there are many external (e.g., the enabling statute) and internal (e.g., CMEEC By-Laws; CMEEC policies and procedures; job descriptions; employment contract provisions) documents that govern the employment of Mr. Rankin and Mr. Pryor. The same employment policies and procedures that apply to other CMEEC employees apply to Mr. Rankin and Mr. Pryor; they signed off on CMEEC's Personnel Policy Handbook and P-Card Policies and Procedures, and they are bound by such policies as no conflicts exist with their employment agreements.

The employment contracts of Mr. Rankin and Mr. Pryor specifically identify certain forms of "cause" for termination from employment, and they also both cite the more generic "willful misconduct". As to specific forms of cause, Mr. Rankin's agreement, as noted in Section III, identifies cause, in pertinent part, as:

(i) any act or omission that constitutes a breach by Mr. Rankin of any of his obligations under this Agreement; (ii) the failure or refusal of Mr. Rankin to perform the duties required of him as an employee; (iii) any violation by Mr. Rankin of any law or regulation which is materially related to the business of CMEEC. . . or any perpetration by Mr. Rankin of a common law fraud; . . .

Exhibit III-5.

Mr. Pryor's contract, as noted in Section III, likewise identifies specific cause, in relevant part, as follows:

. . . (iv) continued failure to perform the duties or discharges his obligations described in Section 2 hereof or negligence in the manner of performance of his duties or persistent failure to perform his duties at a competent level and standard expected in accordance with the quality and quantity normal for the position of the Key Employee . . .

Exhibit III-6.

⁵⁴ The investigator reserves the right to update this report should additional, material information be presented and/or become available.

These specific provisions are broad enough to include as “cause” (in addition to any cause established through violations of certain internal policies), violations of applicable law, including, but not necessarily limited to, the state Freedom of Information Act (“FOIA”), statutes prohibiting civil theft, statutes and/or common law outlining the fiduciary duties and obligations to CMEEC held by Mr. Rankin and Mr. Pryor in their capacities as key employees and officers of CMEEC. As to the FOIA, meetings and/or committee meetings of CMEEC must be properly noticed and minutes published in timely and accurate fashion⁵⁵; employees at the management levels of Mr. Rankin and Mr. Pryor are expected to be aware of such requirements.

With regard to the concept of fiduciary duties, a fiduciary owes its employer the duties of good faith and trust. A corporate officer occupies a fiduciary relationship to the corporation; because the officer occupies a position of the highest trust, the officer is bound to exercise the utmost good faith and fair dealing in all his relationships with the corporation.⁵⁶ Courts have found corporate officers to have breached their fiduciary duty when they mismanaged or misused corporate funds. For example, in Voll v. Dunn, 2014 WL 7461644, the trial court held that corporate officer violated fiduciary duty when he used the company “as his personal ATM machine.” *Id.*⁵⁷ Generally, when a breach of fiduciary duty is alleged, and the allegations concern fraud, self-dealing or a conflict of interest, the burden of proof shifts to the fiduciary to prove fair dealing by clear and convincing evidence.⁵⁸

Fiduciary relationships existed between Mr. Rankin and Mr. Pryor and CMEEC. This means, in part, that their relationship with CMEEC is characterized by a unique degree of trust and confidence placed in them. Mr. Rankin and Mr. Pryor were employed expressly for their expertise, as expressly outlined in the By-Laws:

The Chief Executive Officer shall be the principal executive Officer of CMEEC with full responsibility for the planning, operations, and administrative affairs of CMEEC and the coordination thereof pursuant to policies and programs approved by the Board of Directors from time to time

and:

The Chief Financial Officer shall be the principal financial Officer of CMEEC with full responsibility for financial planning and reporting, Treasury function, debt issuance, credit management, and the coordination thereof pursuant to policies and programs approved by the Board of Directors from time to time, and shall be the agent for financial service on CMEEC.

⁵⁵ Other statutes, including CMEEC’s enabling legislation, may impose additional posting and/or publishing obligations beyond those set forth in the FOIA.

⁵⁶ See, e.g., Village Mortgage Co. v. Veneziano, 2016 WL 720220, aff’d, 175 Conn. App. 59 (2017).

⁵⁷ See also 12 Conn. Prac. Unfair Trade Practices S 4.13.

⁵⁸ Village Mortgage Co. v. Veneziano, supra, footnote 56, citing Cadle Co. v. D’Addario, 268 Conn. 441, 455–56, 844 A.2d 836 (2004).

Mr. Rankin and Mr. Pryor, employees *and* officers, occupy positions of the highest trust and are bound to exercise the utmost good faith and fair dealing in their respective relationships with CMEEC.

Of note, Mr. Rankin's attorney has asserted that Directors approved budgets that included money for, and attended, "retreats" that are under review here, and as such, deemed the retreats acceptable to CMEEC.⁵⁹ However, directors of a company must necessarily rely upon others to manage the day-to-day affairs of the company, and they are not required to suspect the fidelity or skill of those whom they have carefully selected and properly appointed as officers and employees.⁶⁰ The CMEEC Directors thus could properly assume that each of these employees was working exclusively in CMEEC's interest - complying with Directors' financial policies in accounting for expenses and/or seeking and receiving legal advice regarding the propriety of expenses - and was not pursuing his own interests. Directors are not guarantors of the efficiency or integrity of an employee and have a right to rely upon the employee's representations, conduct and honesty. In turn, an officer's obligation to maintain his fiduciary duty, integrity and honesty is not extinguished because of the actions of one or more directors in actively participating in certain questionable activities supported or organized by the officer.⁶¹

⁵⁹ See, e.g., 18B Am. Jur. 2d Corporations § 1400 (in accordance with the general principle that there can be no ratification of illegal transactions, *only those unauthorized acts that do not violate the corporate charter, state law, or public policy may be ratified by acquiescence*); Novella v. Hartford Acc. & Indem. Co., 163 Conn. 552, 561-63 (1972) (waiver is the intentional relinquishment of a known right. To constitute waiver there must be both knowledge of the existence of the right and intention to relinquish it. Waiver involves the idea of assent, and assent is an act of understanding. This presupposes that the person to be affected has knowledge of his rights, but does not wish to assert them. Intention to relinquish must appear. Where one lacks knowledge of a right, there is no basis upon which a waiver of it can rest.) (Internal quotations and citations omitted.); 13 Williston on Contract § 39:28 (for there to be a waiver implied from conduct there must be an intent to waive, and the must be clearly manifested, and cannot be inferred from doubtful or equivocal acts or language; there must be a clear, unequivocal, and decisive act of the party who is claimed to have waived its rights; an implied waiver may arise only if the actions or conduct of the person against whom the waiver is asserted are inconsistent with anything but an intention to waive); Community Collaborative of Bridgeport, Inc. v. Ganim, 241 Conn. 546, 562 (1997) (ratification in a given case depends ultimately upon the intention with which the act or acts, from which ratification is claimed, were done); 18B Am. Jur. 2d Corporations § 1385 (a board of directors is without power to ratify what it cannot do directly or what it could not authorize to be done initially); 18B Am. Jur. 2d Corporations § 1395 (there may be no corporate ratification of a director's self-dealing without full disclosure. To prove ratification by a corporation, it must be shown that the governing body had full knowledge of all the material facts in connection with the transaction in question and that knowledge must be more than just knowledge on the part of the agents whose acts are the subject of the purported ratification); 18B Am. Jur. 2d Corporations § 1453 (The business judgment rule does not apply to ultra vires acts or to acts outside an officer's authority, and ratification does not apply to such actions by alleging ratification).

⁶⁰ See Conn. Gen. Stat. § 33-1104(b); 18B Am. Jur. 2d Corporations § 1448.

⁶¹ The task at hand is to assess issues related to the employment of Mr. Rankin and Mr. Pryor, not to evaluate independently the actions and/or omissions of the Board of Directors. This review requires consideration of whether and/or how the Board's actions and/or omissions impact the evaluation of Mr. Rankin and/or Mr. Pryor; such consideration, however, is not a statement that the Board, or individual Board members, acted within or outside of their prescribed roles.

In addition to fiduciary obligations, Mr. Rankin and Mr. Pryor are required to comply with other laws governing employee use of employer money, such as statutes relating to civil theft. Civil theft – defined in Connecticut General Statutes § 52-564 as stealing the property of another – requires proof of a preponderance of the evidence and is synonymous with criminal larceny.⁶² Criminal larceny, per Connecticut General Statutes § 53a-119, occurs when a person “with intent to deprive another of property or to appropriate the same to himself or a third person . . . wrongfully takes, obtains or withholds such property from an owner.” Embezzlement, which is a type of larceny, occurs when a person “wrongfully appropriates to himself or to another property of another in his care or custody.” See, Conn. Gen. Stat, § 53a-119 (1). Embezzlement generally involves an individual, who by his agency or other confidential relationship, has been entrusted with the property of another and wrongfully converts it to his own use.⁶³

Finally, as to “cause” established by willful misconduct, Mr. Pryor’s contract prohibits “willful, continued material misconduct”, while Mr. Rankin’s contract prohibits:

. . . any other willful misconduct by Mr. Rankin which is injurious to the financial condition or business reputation of, or is otherwise injurious to the CMEEC or any of its subsidiaries or affiliates.

This generic “willful misconduct” is not defined in the agreements, but case law describes it as intentional, wrongful conduct without excuse; it is done purposefully with knowledge, or is of such character that it demonstrates a reckless disregard of the consequences.⁶⁴

In short, the conduct of Mr. Rankin and Mr. Pryor described above, in many instances, reflects disregard for rules, policies, procedures and law; negligence or inattention to job duties relating to finances and/or CMEEC money; failure to perform various job duties and/or breach of contract relating to job duties; and/or misuse and/or mismanagement of CMEEC funds (and including, in the case of Mr. Rankin, civil theft).⁶⁵ Such conduct falls within the definitions of “cause” in their contracts, whether meeting the specific bases for “cause” or falling within the more generic “willful misconduct.” A brief, but more detailed, analysis of the conduct follows.

⁶² See Blackwell v. Mahmood, 120 Conn. App. 690, 700 (2010); Lauder v. Peck, 11 Conn. App. 161, 165 (1987).

⁶³ See, e.g., State v. Lizzi, 199 Conn. 462, 467 (1986); see also Sullivan v. Thorndike, 104 Conn. App. 297, 306–07, cert. denied, 285 Conn. 907 (2008).

⁶⁴ See, e.g., Soucy v. Wysocki, 139 Conn. 622, 628 (1953); Greene v. Metals Selling Corporation, 3 Conn. App. 40, 44 (1984).

⁶⁵ Mr. Rankin’s attorney notes that Mr. Rankin’s performance should be considered by the Board in making any determination regarding his employment. **Exhibit II-V**. It is appropriate for the Board to consider Mr. Rankin’s performance (positive and/or negative) when making such a determination. Performance that may generate or enhance employer revenue, however, does not in turn authorize an employee to violate employer by-laws, policies, procedures and/or the law related to employer funds.

B. Analysis – Kentucky Derby Trips

The Kentucky Derby facts are replete with instances in which written policies established by the Board and/or management were ignored and/or violated, by Mr. Rankin and/or Mr. Pryor. CMEEC, as authorized by Mr. Rankin (and Mr. Pryor) expended over \$1,000,000 on four (4) actual and one (1) canceled trip to the Kentucky Derby. These Kentucky Derby “strategic retreats”, had none of the hallmarks of a strategic planning retreat (even though Mr. Rankin suggested in invitations that the 2013 trip would actually include strategic planning); Mr. Rankin touted this as a celebration of (i.e., reward for) Board member efforts in the completing various significant projects. No meetings (and therefore no noticed agendas and/or published minutes), no seminars, no workshops, and no business activity occurred. Mr. Rankin’s claim that these events fostered Board/employee development falters given, in part, the facts that at most, four (4) CMEEC employees attended, fewer than half of the Board attended any trip (and those who attended generally were repeat attendees), and non-CMEEC attendees always outnumbered CMEEC Board members and employees. The facts speak for themselves in support of the position that the trips, and the lavishness and excessive expenses on these trips, were simply inconsistent with CMEEC’s purposes as set forth in its By-Laws and in the enabling legislation. The trips and spending on the same reflect that Mr. Rankin and Mr. Pryor, among other things, breached their fiduciary duties to CMEEC, failed to carry out their job duties, and violated P-Card and Handbook provisions regarding business, travel and meal costs.

C. Analysis – The Greenbrier Trip - August 2015

Again, as with the Kentucky Derby trips, the facts relating to the four (4) day excursion for four (4) people to the tune of \$21,000 speak for themselves. These facts present perhaps the most cavalier use of CMEEC money, in a manner inconsistent with CMEEC’s purposes, as reviewed in this investigation.

Mr. Rankin decided to take three (3) friends, two (2) of whom were on the Compensation Committee, for a four (4) day, three (3) night excursion to a luxurious resort in West Virginia. Mr. Rankin did not invite all members of the Compensation Committee, and did not convene any meetings of the Compensation Committee in West Virginia. Although Mr. Rankin allocated the expenses for this trip to the Compensation Committee budget line (as well as the reimbursement requests), he also stated that the purpose of the trip was to scout the location for a later Board retreat, which is not within the charter of the Compensation Committee. Traveling to West Virginia for multiple days for the stated purpose of determining the suitability of a location for a Board retreat is beyond reasonable comprehension. Rather, the stated purpose is an excuse for a free trip, particularly when The Greenbrier has an extensive website – to which Mr. Rankin actually directed his three (3) companions – and ready access to staff via phone and internet for assistance in evaluating the suitability of conference rooms and the overall location.

In perhaps one of the most inappropriate uses of his P-Card reviewed,⁶⁶ Mr. Rankin charged over \$14,000 to The Greenbrier (and spent over \$17,000 in total including air fare and

⁶⁶ The policies for the use of P-Cards leave little room for abuse. They provide clear and unambiguous rules, such as a prohibition against the purchase of alcoholic beverages. They set out that even in a foggy circumstance the holder of the card must first reflect on several questions, including “[h]ow would the headline read if the newspaper printed a story on the

car rental) including meals for four (4) people, replete with alcohol, costing \$1,100 in one instance and \$900 on the other. Mr. Pryor signed off on Mr. Rankin's expenditures; Mr. Rankin subsequently approved expense reimbursement requests from Mr. Bilda, Mr. Sullivan and Mr. DeMuzzio. Mr. Rankin took his three (3) friends on a trip with no direct (or any) business purpose – i.e., a vacation. The four (4) played golf, ate and drank as they wished, and spent three (3) nights in resort hotel rooms. Simply stated, Mr. Rankin took CMEEC's money to go on a boondoggle with his friends.

As with the Kentucky Derby trips, the actions of Mr. Rankin and Mr. Pryor reflect, among other things, that they breached their fiduciary duties to CMEEC, demonstrated a failure to carry out their job duties, and violated P-Card and Handbook provisions regarding business, travel and meal costs. In addition, Mr. Rankin's actions constitute civil theft (either as larceny and/or embezzlement). He took CMEEC funds with which he had been entrusted to his care as CEO, and used those funds to take himself and three (3) others on a vacation.

D. Analysis – The Greenbrier trip – October 2015

The October 20-23, 2015, trip to The Greenbrier did include two (2) business related presentations. These presentations, however, do not render the \$110,000 trip free from violations of policies and procedures and/or breaches of fiduciary duties. The lack of compliance with the FOIA leaves uncertainty as to the number and scope of the meetings held, as well as the identity of the attendees (e.g., did all of the six (6) Board members on the trip attend the meetings?).⁶⁷ The excesses of this trip - punctuated with, for example, "Deluxe Rooms" to ensure everyone has a "wonderful" experience; gift baskets in each room; use of a card, compliments of CMEEC for "all services, food, drink, etc."; \$2,200 worth of scarves; and reimbursement to a non-CMEEC attendee for shirts and money clips – reflect, in the least, a misuse and/or mismanagement of CMEEC money⁶⁸, expenditures that were inconsistent with CMEEC's purpose, violation of P-Card and/or Handbook provisions on business travel, negligent work performance, and breach of fiduciary duty by both Mr. Rankin and Mr. Pryor.

E. Analysis – Golf Outings

What began as a seemingly modest event in 2013 for Board members and certain CMEEC employees (and for which we have limited information), the annual CMEEC sponsored golf outing grew exponentially to eight-eight (88) golfers in 2016 (including six (6) Board members). The 2013 event cost approximately \$3,500; the 2016 event (with a social Board dinner the night before golf) cost approximately \$36,500, about ten (10) times the cost of the

situation?" This question is obviously not meant to be answered on a purely subjective level, but is meant to remind the P-Card holder that he is an agent of the company, should conduct himself with the highest degree of trust and protect CMEEC from harsh criticism or public rebuke.

⁶⁷ If and/or when the other twelve (12) Board members received the formal presentations from Mr. Rankin and the consultant – which presumably included information for the entire Board to receive – is uncertain.

⁶⁸ Funds for this trip were drawn from the "contra" Margin account. As indicated in a prior footnote, the specific account or source of the funds is not material to this investigation. The fact that CMEEC money was used, regardless of whether it came from members or non-members, is material.

2013 event. Mr. Rankin had also authorized one (1) outing in 2014 (\$9,500) and three (3) outings in 2015 (\$49,000).

Here, as well, the above stated facts outlining the nature of these outings speak for themselves. Even if a small scale golf outing for Board members, employees and customers might have a legitimate business purpose, the increasing expenses and excesses associated with these events - including transportation to and from the golf course (so attendees could have as much "laughter" – i.e., drink - as they wished); overnight stays at the Norwich Inn and Spa (even for individuals living or working in Connecticut); and golf balls with participant faces imprinted on them – fall outside the realm of being consistent with CMEEC's purpose, as outlined in the enabling statute and By-Laws. These golf expenditures reflect, in the least, a misuse and/or mismanagement of CMEEC money, expenditures that were inconsistent with CMEEC's purpose, negligent work performance and breach of fiduciary duty by both Mr. Rankin and Mr. Pryor.

F. Analysis – Overall spending authorized by Mr. Rankin and/or Pryor on Kentucky Derby, The Greenbrier, Golf Outings and other non-operational expenses

In addition to spending for the Kentucky Derby trips, The Greenbrier trips and golf outings in manners that reflect misfeasance in the performance of their job duties and violations of numerous policies, procedures, fiduciary duties and/or statutes (e.g., civil theft), Mr. Rankin and Mr. Pryor (in the least as the expense approver on Mr. Rankin's P-Card) engaged in similarly problematic everyday spending. Whether or not it was simply what Mr. Rankin and Mr. Pryor considered appropriate, or some other factor(s), Mr. Rankin, for example, regularly spent on his P-Card with disregard for CMEEC policies and procedures (e.g., purchase of meals and alcohol with at times little explanation on receipts; no breakdowns of meals as required by policy on receipts), and Mr. Pryor approved the same. Mr. Rankin likewise considered it appropriate to provide a Board member, retiring from a position with a member utility (and in turn leaving the Board) with \$6,000 in American Express gift cards.

Whether considered separately or as a whole with the trips and outings, Mr. Rankin's use of his P-Card in everyday situations, and Mr. Pryor's approval of the same, again demonstrate negligence in the performance of their job duties and violations of numerous policies, procedures and fiduciary duties.

G. Analysis Payments for and/or reimbursements to James Sullivan for certain travel and accompanying expenses

Outside of the specific instances referenced above, where CMEEC paid Mr. Sullivan a Board member stipend and where CMEEC paid for or reimbursed him for travel expenses clearly associated with CMEEC business, the bases for the remaining payments by CMEEC for Mr. Sullivan's travels are not documented. Mr. Rankin describes Mr. Sullivan as, in essence, acting as an unpaid lobbyist for CMEEC in Washington, D.C., whose travel expenses are covered by CMEEC. Mr. Rankin, however, didn't require from Mr. Sullivan, or record himself,

the specific reasons for payment on the expense reports submitted by Mr. Sullivan, and Mr. Pryor either didn't think there was an issue or chose not to address it.

The payments to Mr. Sullivan for no documented reason raise significant concerns about the legitimacy of these reimbursements as relating to CMEEC purposes. Mr. Rankin and Mr. Pryor failed in their respective fiduciary and other duties by not requiring and/or clearly documenting the reasons for the payments, and they failed in their respective fiduciary and other duties by approving reimbursement for non-CMEEC related travel. Their conduct, in the least, involves failure to carry out their job functions and/or breach of their fiduciary duties.

H. Analysis - Impact to CMEEC of the activities outlined in the indictment, this investigation and the oral and/or written statements made by Mr. Rankin to the media and/or public officials regarding the Kentucky Derby trips, Greenbrier trips and/or legislative changes to the statute creating CMEEC

Whether or not an immediate "mea culpa" in October 2016 would or would not have helped quell concerns about CMEEC expressed by the public, state and local government officials and media is left for debate. Mr. Rankin's initial statements to the public, local government officials and the press defended these trips. By February 2017, with legislation pending that could significantly impact CMEEC, Mr. Rankin stated to members of the state Senate that he recognized the trips were not in the best interests of CMEEC, acknowledged that he was "professionally responsible and accountable for the adverse consequences of my bad judgment in these business decisions" and noted he was "sorry for my actions that are causing such harm. . . ." In short, Mr. Rankin himself acknowledged that his bad judgment caused CMEEC harm. That harm has included, for example, an FBI investigation grand jury proceedings, federal indictments, legislative amendments (resulting in significant expenses to and increased oversight of CMEEC), scathing media coverage, a "Rating Watch Negative" from Fitch, and significant legal and other costs to CMEEC.

Despite acknowledging his bad judgment which caused CMEEC harm, Mr. Rankin chose to send the late night email to Senators Osten and Formica in May 2017, blasting Senator Somers and threatening litigation (unclear as to against who) regarding the proposed amendments for alleged "contractual interference." Mr. Rankin's email brought negative reactions from various legislators and calls for his resignation, as well as additional negative media coverage. In other words, Mr. Rankin placed CMEEC again in the negative limelight, and in telling the CMEEC community that "this will undoubtedly pass", he appeared not to recognize that his past and then-present actions surrounding the "retreats" and fallout from the same would continue to negatively impact CMEEC.

The job description incorporated into Mr. Rankin's employment agreement includes provisions that he represent CMEEC before state and federal legislative agencies; ensure that the credit worthiness of CMEEC "is maintained and continues to be enhanced with appropriate credit agencies to ensure financing of future projects and access to credit"; and maintain the abilities to communicate effectively with individuals within and outside CMEEC, to make "public presentation in a professional manner" and "establish credibility with . . . public official" and to act as "CMEEC contact and spokesperson with the media and officials. . . ." Mr. Rankin's work

performance as outlined immediately above, and in the review of facts falls, short of satisfying these job requirements.

VI. Conclusions

In consideration of the above factual findings and analysis, both Mr. Rankin and Mr. Pryor have engaged in conduct which meets the definition of "cause" within the termination provisions of their contracts.

As to Mr. Rankin, his conduct as to any number of the items above constitutes acts or omissions that constitutes a breach of obligations under his Agreement (e.g., negligent performance of job duties, misuse or mismanagement of certain CMEEC funds; breach of fiduciary, authorizing acts inconsistent with CMEEC's purpose); failure to perform the duties required of him as an employee (e.g., failure to perform certain job duties as set forth in his job description, breach of fiduciary duty on multiple occasions, violations of numerous internal policies and procedures, failure to follow the FOIA); violation of the law – e.g., civil theft and/or breach of fiduciary duty - which is materially related to the business of CMEEC; and other willful misconduct which is injurious to the financial condition or business reputation of, or is otherwise injurious to the CMEEC or any of its subsidiaries or affiliates (e.g., to the extent any violation noted in the Analysis does not fall within the above listed categories, it falls within this category).

As to Mr. Pryor, his conduct as outlined above demonstrates that he either failed to perform the customary duties of a CFO in competent fashion, negligently performed such duties and/or engaged in repeated and material willful misconduct (e.g., breach of fiduciary duty on multiple occasions; failure to comply with internal finance or general employment policies, etc.).

Since Mr. Pryor has retired, the Board, even if it wished to do so, is not in a position to pursue any disciplinary action as to him. Mr. Rankin remains an employee on administrative leave, and in consideration of the above findings and conclusions, the Board may, if it wishes, chose to pursue disciplinary action, up to and including termination of his employment.

APPENDIX A - EXHIBIT LIST

I. Introduction

1. November 8, 2018 Indictment.
2. November 9, 2018 Emergency Meeting Resolution 18-11-06.
3. November 20, 2018 Resolution 18-11-13.

II. Outline of Investigation Process

1. Excerpts – December 31, 2016 and 2015 Financial Statements Audited by BlumShapiro.
2. December 21, 2018 Forensic Evaluation by CohnReznick.
3. February 6, 2019, through February 21, 2019 email correspondence by and between Attorney Duggan and Attorney Adler re: Drew Rankin's participation in investigation.
4. February 6, 2019 email correspondence from Attorney Duggan to Attorney Miodonka and February 18, 2019 email correspondence from Attorney Duggan to Edward Pryor.
5. March 4, 2019 Letter from Attorney Raabe on behalf of Drew Rankin.

III. Background

1. March 25, 2013 CMEEC By-Laws.
2. February 21, 2017 Testimony of Drew Rankin.
3. June 7, 2013 Attorney General Opinion, AGO 2013-3.
4. June 1, 2013 CMEEC Membership Agreement dated as of June 1, 2013.
5. January 1, 2014 Employment Agreement Extension with Drew Rankin (Executed September 25, 2014) and Job Description.
6. July 1, 2003 Employment Agreement with Edward Pryor.
7. June 2013 P-Card Course.
8. July 15, 2013 P-Card Application and Agreement – Edward Pryor.

9. October 4, 2013 P-Card Application and Agreement Drew Rankin.
10. January 2014 P-Card Business Process Flow Chart.
11. January 4, 2011 Acknowledgement of Receipt of Information Handbook and Employment-At-Will Notice by Drew Rankin.
12. April 19, 2013 and January 3, 2017 Acknowledgements of Receipt of Personnel Policy Handbook and Employment-At-Will Notice by Edward Pryor.
13. April 1, 2013 Personnel Policy Handbook – Introductory Letter.
14. January 1, 2017 Personnel Policy Handbook – Introductory Letter.
15. April 1, 2013 Personnel Policy Handbook - Policy 210 – Business Travel and Expense Reimbursement Business Meeting/Training Travel, Meals, and Lodging.
16. January 1, 2017 Personnel Policy Handbook - Policy 210 – Business Travel and Expense Reimbursement Business Meeting/Training Travel, Meals, and Lodging.
17. April 1, 2013 Personnel Policy Handbook - Policy 214 – Code of Business Conduct, Ethics Policy, and Complaint Procedure.
18. January 1, 2017 Personnel Policy Handbook - Policy 214 – Code of Business Conduct, Ethics Policy, and Complaint Procedure.

IV. Factual Findings

1. January 14, 2016 Requisition Approval by Edward Pryor (Travel); and May 25, 2016 Requisition Approval by Edward Pryor (Ticket Packages).
2. February 4 and 8, 2013 Purchase Agreements.
3. February/March 2013 Kentucky Derby Invite.
4. May 2-5, 2013 Kentucky Derby Itinerary.
5. October 26, 2016 City of Groton Utility Commission Meeting Minutes.
6. October 24, 2016 Article (The Day).
7. 2013-2016 Kentucky Derby Attendance Chart.
8. August 7, 2013 Purchase Agreement.
9. March 7, 2014 Requisition Approval by Drew Rankin (Ticket Package).
10. March 3, 2014 Email Correspondence by and between Drew Rankin and Officer and Facility Manager re: James Sullivan Travel Request.

11. March 26, 2014 Email Correspondence from Drew Rankin to Edward DeMuzzio.
12. May 1-4, 2014 Kentucky Derby Itinerary.
13. June 2, 2014 Purchase Agreement for 2015 Kentucky Derby.
14. January 16, 2015 Signed Proposal; January 28, 2015 Requisition Approval by Drew Rankin; April 14, 2015 Payment Documentation (Air Charter).
15. October 29, 2014 – Budget and Finance Committee - CMEEC Proposed Budget 2015 – 2019.
16. 2015 Strategic Retreat - Members and Guests Appreciation Celebration Brochure.
17. May 4, 2015 Purchase Agreement.
18. November 12, 2015 Budget and Finance Committee - CMEEC Proposed Budget 2015 – 2019 and 2016 CMEEC Budget.
19. March 16, 2016 Supplemental Purchase Agreement.
20. 2016 Strategic Retreat - Members and Guests Appreciation Celebration Brochure.
21. April 2 – May 3, 2016 Email String (Restaurant Payment) and Drew Rankin P-Card Statement May 2016.
22. February 29, 2016 Email String (Itinerary).
23. April 27, 2016 Email from Drew Rankin to Trip Participants.
24. May 23, 2016 Purchase Agreement (Ticket Packages) and June 22, 2016 Purchase Agreement (Paddock Tours)
25. July 9, 2015 Email from Drew Rankin to John Bilda, Jim Sullivan and Edward DeMuzzio.
26. July 28, 2015 Email from Drew Rankin to Ellen Kachmar (Hotel Confirmation).
27. July 2015 P-Card Statement – Drew Rankin
28. July 17, 2015 Email by and between Drew Rankin, John Bilda, James Sullivan and Edward DeMuzzio.
29. July 19, 2015 US Airways Reservation.
30. August 2015 P-Card Statement – Ellen Kachmar.
31. July 20, 2015 Email from Drew Rankin to Ellen Kachmar (Rental Car).

32. August 2015 P-Card Statement – Drew Rankin.
33. August 1, 2015 Email from Drew Rankin to John Bilda, James Sullivan and Edward DeMuzzio (Dress Code / Basic Itinerary).
34. August 2, 2015 Email from Drew Rankin to John Bilda, James Sullivan and Edward DeMuzzio (Detailed Itinerary).
35. August 1, 2015 Email from Edward DeMuzzio to Drew Rankin, John Bilda and James Sullivan.
36. August 2015 Expense Reimbursement – Edward DeMuzzio.
37. August 2015 Expense Reimbursement – John Bilda.
38. July and August 2015 Expense Reimbursement – James Sullivan.
39. CMEEC BOD Resolution 15-02-02
40. November 21, 2013 Compensation and Policy Committee Charter
41. August 17-19 Emails by and between Drew Rankin and The Greenbrier.
42. August 25, 2015 Agreement with The Greenbrier.
43. August 21, 2015 Email by and between Drew Rankin and The Greenbrier.
44. September 14, 2015 Email from Drew Rankin to Board / Forward to Staff;
Forwarded Email by Edward Pryor
45. September 17, 2015 Email from Drew Rankin to Ellen Kachmar.
46. September 18, 2015 Email from Drew Rankin to Lobbyists.
47. September 18, 2015 Email from Drew Rankin to Consultant.
48. September 18-19, 2015 Email by and between Drew Rankin and Edward Pryor.
49. October 8, 2015 Email from Drew Rankin to Attendees, including “2015 Fall Strategic Retreat – Members and Guests Appreciation Celebration” Brochure.
50. October 19, 2015 Email by and between Drew Rankin and The Greenbrier.
51. October 2015 – The Greenbrier Attendance Chart.
52. November 12, 2015 Invoice from The Greenbrier and Accompanying Payment Documentation.
53. November 19, 2015 Requisition Approval by Edward Pryor (Scarves).
54. October 19, 2015 Jet Access Aviation Invoice.

55. August 9, 2013 Email from Drew Rankin to Board members (Golf).
56. July 14, 2014 Email from Drew Rankin to Board members (Golf).
57. July 2014 Golf Expenses – Chart.
58. August 17, 2014 Email from Drew Rankin to Board members (Golf).
59. May 15, 2015 Email from Drew Rankin to Board members (Golf).
60. June 2015 Golf Expenses – Chart.
61. July 19-20, 2015 Emails from Drew Rankin to Board and Ellen Kachmar.
62. July 2015 Golf Expenses – Chart.
63. August 10, 2015 Email from Drew Rankin to Board members (Golf).
64. August 10, 2015 Email from Drew Rankin to Others (Golf).
65. August 24, 2015 Email from Ellen Kachmar to Drew Rankin.
66. August 25, 2015 Email by and between Drew Rankin and Patricia Meek.
67. August 2015 Golf Expenses – Chart.
68. December 28 – 30, 2015 Email by and between Ellen Kachmar and Mohegan Sun Country Club.
69. June 17, 2016 Email from Drew Rankin to Board members (Golf).
70. July 13, 2016 Email from Drew Rankin to Ellen Kachmar
71. July 2016 Golf Expenses – Chart.
72. December 2014 CMEEC P-Card Statement and Supporting Documents.
73. February 26, 2015, April 21, 2015, May 21, 2015, September 1, 2015, September 21, 2015 and December 21, 2015 Receipts.
74. April 19, 2015 Wine Receipt.
75. May 2013 – November 2018 P-Card Limit Increase/Decrease History – Drew Rankin.
76. April 23, 2009 and May 27, 2010 CMEEC Board Meeting Minutes.
77. April 22, 2010 – CMEEC Board Resolution 10-21

78. June-July 2013 Request for Reimbursement and Approval; October –December 2014 Request for Reimbursement and Approval; January 30 – March 31, 2015 Request for Reimbursement and Approval.
79. Examples - October 15 and 19, 2016 Articles in The Bulletin; October 21 and 24, 2016 Articles in The Day.
80. May 30, 2017 Email from Drew Rankin to Sen. Cathy Osten and Sen. Paul Formica.
81. May 31, 2017 Letter from Six (6) Legislators to Drew Rankin.
82. June 1, 2017 Article in The Bulletin; June 1, 2017 Article in The Day.
83. November 26, 2018 Rating Watch Negative by FitchRatings.
84. December 27, 2018 Credit Opinion by Moody's Investors Service.
85. May 31, 2017 email correspondence from Rankin to CMEEC Combined Distribution.